

FINANCIAL TIMES

HORTICULTURE

Going Dutch
in Brazil

Page 20

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Thursday January 9 1992

World News Business Summary

Russia backs
down in
dispute over
UK beef aid

The row over whether Russia would accept 2,000 tonnes of UK beef aid ended after British and European Community vets reached agreement with the Russians that it poses no threat of "mad cow" disease.

A Russian statement said the shipments would come from cattle less than three years old. Page 13

Yugoslavian politician quits. General Veljko Kadijevic, the Yugoslav defence minister in charge of the federal army, resigned 26 hours after a Yugoslav jet shot down a helicopter carrying European Community troops. Page 12

Special EC summit. A special summit of EC states could be called in April to discuss a financial package for the Community. European Commission president Jacques Delors said in Lisbon. Proposals for the package would be presented by mid-February. Page 12

Gamaskhurdia '91. Georgia's acting prime minister Tengiz Sigua said medical certificates had been located diagnosing former president Zviad Gamaskhurdia as mentally ill. He fled the country on Monday. Page 2

Delegates delayed. Palestinian delegates to peace talks in Washington arrived in Amman three hours late, because Israeli authorities tried to stop three administrative staff leaving the occupied territories. Page 5

Polish strike threats. Poland's 3m strong Solidarity trade union is to call a one-hour national strike on Monday to protest against energy price rises brought in on January 1. Other unions are threatening token stoppages on January 16. Page 2

LDP post agreed. Shin Kanemaru, "godfather" of Japan's ruling Liberal Democratic party, agreed to become party vice-president in an apparent attempt to bolster the shaky leadership of prime minister Kiichi Miyazawa. Page 8

East Timor apology. An Indonesian general conceded for the first time that soldiers had erred in shooting dozens of anti-Indonesian demonstrators in East Timor in November. He asked forgiveness for "shortcomings and mistakes".

Cuba captures three. Cuba said its security forces captured three armed "counter-revolutionary terrorists" trained in the US. They were reported to have landed by ship on the northern Cuban coast to launch attacks on the island.

Palestinian jailed. A Greek court sentenced Palestinian Mohammed Basbadi to 15 years for a mid-air bomb blast aboard an El Al jetliner from Paris to Amsterdam in 1982 which killed a Japanese. Page 3

Burmese Muslims flee. Hundreds of Burmese Muslims fled into Bangladesh as the two countries held talks to ease tensions on the frontier which followed a border clash. Page 3

Sexual harassment ban. France is to amend its labour laws to protect employees from sexual harassment by their bosses, women's rights minister Veronique Nieltz announced.

Marina's turnover. Organised crime in Italy is becoming an increasingly sophisticated business with an annual turnover of \$1.7bn, according to a report published by a private research institute. Page 2

Nestlé and
BSN to
control Czech
food group

NESTLÉ, Swiss-based food group is joining forces with French biscuit maker BSN to gain control of Cokoladovny, Czechoslovakia's largest food producer.

They will take 43 per cent of Cokoladovny and The European Bank for Reconstruction and Development will acquire a further 15 per cent. Page 13

ASSURANCES Générales de France, French state-owned insurer, has raised its stake in Aachener and Münchener Belegungs, Germany's second largest insurer, to just over 25 per cent. AGF becomes the biggest shareholder in AMB. Page 13; Lex, Page 12

WOOLWORTH, big US retailer, is overhauling its operations. It plans to sell or redeploy 900 underperforming stores, axe 10,000 jobs and produce a fourth-quarter post-tax charge of \$250m. Page 13

THYSSEN, biggest German steelmaker, is investigating urgent economy measures which could lead to the merger of its two main steel subsidiaries. Group profits fell 25 per cent in 1991. Page 14

WORLD BANK has strongly criticised a \$28.1m (\$88.3m) contract involving a British firm of consulting engineers and a Kenyan state company. A World Bank document says the price of the consultancy contract is "five times what such services would normally cost". Page 12; Second opposition party, Page 3

SUN ALLIANCE, Britain's biggest composite insurer, is to buy Forrester Gruppen, Norway's fourth biggest life insurer through a bid from its Danish subsidiary, Codan. Codan's offer values Forrester at Nkr181m (\$131m). Page 14

OIL PRICES fell to their lowest since the end of the Gulf War last February amid fears that Iraq might be allowed to resume oil exports. North Sea Brent crude for February delivery lost almost a dollar to \$17.05 a barrel. Page 30

TANDEM COMPUTERS of California expects to report an operating loss for the first quarter of its 1992 tax year. It will also take a \$90m restructuring charge and axe about 700 jobs. Page 15

CHRYSLER, smallest of the big three US vehicle makers, unveiled a new generation of executive sedans to be launched in North America this autumn. The LH project is the first all-new car programme at Chrysler for more than a decade. Page 14

OLIVETTI: Union leaders and management at the loss-making Italian computer group held talks amid speculation that the company will seek more big job cuts. Olivetti has already won agreement for 3,500 job losses. Page 14

DIXONS GROUP: A Christmas sales surge came too late to save the UK electrical retailer from reporting a sharp drop in interim pre-tax profits from \$27.2m to \$17.5m (\$32m). Dixon's US Sile chain showed steepening losses. Page 14; Lex, Page 12; Mailing losses in US, Page 18; Appointments Page 21

COMPASS AIRLINES, Australian domestic carrier grounded since running out of funds last month, has a 50 per cent chance of getting airborne again, the provisional liquidator said. The federal government has agreed to back a business plan to support the airline. Page 15

GRAND Metropolitan UK drinks, food and retailing group, is to buy the frozen food division of McGlynn Bakeries of the US. The deal, to be funded by the issue of new Grandmet shares, could be worth about \$140m. Page 18

Bush to continue talks despite ill-health

By Stefan Wagstyl in Tokyo and Lionel Barber in Washington

PRESIDENT George Bush will go ahead with a second round of summit talks in Japan today in an effort to dispel fears about his health. Such concern was sparked yesterday by his collapse at a state banquet in Tokyo.

The White House said the president was resting comfortably last night after suffering an attack of gastric flu. But the incident — captured live on Japanese television — reignited fears about Mr Bush's health ahead of his campaign for re-election this year.

The 67-year-old president looked over before his horrified Japanese hosts after complaining several times of feeling sick. Mr Kiichi Miyazawa, the Japanese prime minister, cradled Mr Bush's head briefly before US Secret Service agents surrounded the stricken president.

After 10 minutes, Mr Bush, looking ashen-faced and shaky, got to his feet and was

wrapped in his coat. Smiling, he saluted his audience, shook hands with Mr Miyazawa, and was taken by limousine to the Japanese prime minister's official residence at Tokyo's Akasaka Palace.

The White House tried to play down the episode, which came during a series of trade talks with Japan at the end of a gruelling 12-day, 28,000-mile tour of the Pacific which began on December 30.

The president had billed the trip as a mission to bolster the struggling US economy by creating jobs for Americans through opening Japanese and other east Asian markets.

The president's popularity at home has slumped amid a collapse in public confidence over economic prospects.

Mr Martin Fitzwater, White House press secretary, said there was no connection between Mr Bush's collapse and the thyroid problem diagnosed last year for which he

was hospitalised briefly with an irregular heartbeat. Mr Fitzwater said the president would cancel a breakfast meeting with US and Japanese businessmen today but would proceed with a second round of talks with Mr Miyazawa. The two leaders are also due to give a joint news conference before Mr Bush flies back to Washington tomorrow.

In Washington, Vice-President Dan Quayle, 44, was notified about Mr Bush's collapse and went immediately to the White House. But no arrangements for a transfer of power were made, according to a spokesman for Mr Quayle.

Mr Quayle went ahead with a planned trip to New Hampshire, where next month's primary elections will provide the first important test for Mr Bush in the 1992 election campaign. "There is no reason to be concerned," said Mr Quayle yesterday. "The president is doing well, resting well."



President Bush leaves a Tokyo banquet yesterday with Dr Burton Lee, his personal physician, after becoming ill

US and Japan
pledge to boost
world economy

By Stefan Wagstyl in Tokyo

THE leaders of the US and Japan pledged to boost economic growth yesterday and called on other industrialised nations to do the same in a move apparently designed to get interest rates down and the world economy moving.

The initiative appeared to be aimed particularly at Germany, where the Bundesbank, which views inflation as a bigger enemy than slow growth, raised interest rates last month.

President Bush and Mr Kiichi Miyazawa agreed on the plan during a summit meeting in Tokyo in which they also discussed US demands for Japanese trade concessions.

US officials are visiting Europe to explain the initiative to Germany and the Group of Seven industrialised countries.

They intend to present it to a forthcoming meeting of G7 finance ministers in the US, probably on January 25.

Mr David Mulford, US Treasury under-secretary for international affairs, arriving in London from Bonn yesterday, was careful to say that he was

consulting with the US's European G7 partners rather than asking them to join an already prepared plan.

The plan, entitled A Strategy for World Growth, includes a commitment by Mr Bush to announce economy-boosting measures in his State of the Union address later this month and in his budget for the 1993 financial year. These are likely to include investment incentives and possibly tax cuts — though Mr Bush did not give details.

Mr Miyazawa said Japan's budget for the financial year starting in April was aimed at strengthening domestic demand through increased public investment. The recent decision by the Bank of Japan to reduce the official discount rate to 4.5 per cent was also intended to maintain sustainable growth with price stability, he said.

The rate was cut by a half-point on December 30.

Economists said the statement referred mainly to measures which had already been announced or, as in the

■ Support of Group of Seven sought for strategy
■ Questions over gruelling election campaign
■ Quayle's fight for credibility
■ Text of US-Japanese joint statement
■ US cars fail to move the Japanese
PAGE 4

case of the State of the Union address, widely anticipated.

Mr Paul Chertkow, chief currency analyst at the London office of Citibank, said the statement would have little impact on persuading the Bundesbank to cut German interest rates, a move likely to help the European economy.

He said the statement was an "exercise in rhetoric" which highlighted the problems of getting all the G7 countries to agree on joint strategies for promoting world growth.

But speaking in Tokyo, Mr Nicholas Brady, the US Treasury secretary, rebuffed criticism that the two leaders had promised nothing new.

"The thing that's different is that the president of the US and the prime minister of Japan have put their names to a growth strategy."

Mr Brady also suggested that the declaration could help pave the way to further cuts in interest rates. Given the recent reductions in rates, "there's always the possibility that more could be done [in this area] if more needs to be done."

Mr Bush and Mr Miyazawa welcomed the recent rise in the yen against the US dollar, saying "recent exchange rate movements were consistent with current economic developments." However, some private

sector economists expressed disappointment that the two countries did not commit themselves to pushing the dollar down more firmly in order to promote US exports.

US officials also welcomed the Japanese government's forecast of a reduction, albeit slight, in the current account surplus from around \$73bn for the year to last March.

Separately, Mr Bush and Mr Miyazawa agreed in broad terms to work for the successful conclusion of the Uruguay Round of trade talks and to co-operate on global political issues, including policy towards the former Soviet Union.

Scottish steel plant to be
closed with 1,200 job cuts

By James Buxton in Edinburgh and Charles Leadbeater and Alison Smith in London

BRITISH STEEL yesterday sounded the death knell for steel making in Scotland by announcing it would close its Ravenscraig plant in Lanarkshire by September with the loss of 1,200 jobs.

Mr John Major, the prime minister, said he wished the company had been able to meet a pledge it gave in 1987 to keep the plant open until 1994, while Mr Neil Kinnock, the Labour opposition leader, accused the government of walking away from the people of Lanarkshire.

The plant's future has been in doubt since last year when its hot-strip rolling mill was closed with the loss of 700 jobs.

The area around the plant has been hit by almost 4,000 steel-related job losses in the past two years and unemployment is expected to climb to almost 20 per cent.

The government responded to the closure by announcing that it had won the European Commission's agreement to designate Lanarkshire as a spe-

cial enterprise zone. Businesses setting up there will avoid local and corporate taxes for a 10-year period.

Setting up the zone will involve spending about \$50m (\$81m) in addition to the extra £15m the government is spending in north Lanarkshire this year and £25m pledged for next year. Mr Ian Lang, the Scottish secretary, said it should secure 7,500 new jobs in the area over 10 years.

The Ravenscraig plant has been politically controversial since 1959 when the Conservative Macmillan government decided it should be developed to form the hub of a manufac-

turing area making ships and vehicles.

Despite investment of more than \$400m in the 1970s, when the company was vulnerable to closure throughout the past decade.

The closure is British Steel's most aggressive response yet to the UK recession. It is likely to make a loss of between £20m and £100m this year as a result of lower steel demand, increasing competition from imports and a steep fall in prices over the past two years.

The company also disclosed that the recession had forced it to postpone plans for a £100m investment in a continuous casting machine at its Llanwern plant in south Wales. The plan to expand Llanwern's capacity was one of the main justifications the company gave in 1990 for the closure of the Ravenscraig hot-strip mill.

The main steel plant left in Scotland, the Dalzell plate mill, has had a question mark over Continued on Page 12

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Laurent Fabius: The rise of
France's political high-flier

The brilliance of Laurent Fabius, who will today be voted first secretary of the French Socialist party, has carried him with preternatural speed up the ladder of political promotion

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MARKETS

STERLING New York lunchtime: \$1.873 London: \$1.872 (1.8725) DM2.835 (2.845) FF16.675 (9.7175) SF12.53 (2.5275) Y233.75 (232.75) £ index 91.4 (91.5)	DOLLAR New York lunchtime: DM1.5135 FF15.1705 SF11.3495 Y124.85 London: DM1.515 (1.5195) FF15.175 (5.19) SF11.351 (1.35) Y124.85 (124.35) £ index 90.5 (90.5) Tokyo close: Y124.4	STOCK INDICES FT-SE 100: 2,467.1 (-15.8) FT-A All-Share: 1,178.08 (-0.8%) FT-SE Eurotrack 100: 1,080.21 (-5.85) DJ Ind. Av. 3,213.55 (+8.72) S&P Comp 418.79 (+1.39) Tokyo: Nikkei 22,715.00 (-851.39)
GOLD New York Comex Feb \$351.8 (350.5) London: \$350.3 (348.65) N SEA OIL (Argus) Brent 15-day \$17.05 (18.175)	US LUNTIME RATES Fed Funds: 3 3/4% 3-mo Treasury Bills: 3.757% Long Bond: 107 1/8 yield: 7.381%	LONDON MONEY 3-month interbank: 10 1/4% (same) Life long gilt future: Mar 97 1/2 (Mar 97 3/2)

Chief price changes yesterday: Page 13

INTERNATIONAL NEWS

'Godfather' agrees to take top LDP post

By Robert Thomson in Tokyo

THE "godfather" and backroom boss of Japan's ruling Liberal Democratic Party, Mr. Shin Kanemaru, has agreed to take the post of party vice-president in an apparent attempt to bolster the shaky leadership of Mr. Kiichi Miyazawa, the prime minister.

Mr. Kanemaru, chairman of the party's largest faction, is credited with having ensured Mr. Miyazawa's selection as leader. He said yesterday he had a "responsibility" to support the prime minister and party president.

But Mr. Kanemaru, 77, has taken two months to accept Mr. Miyazawa's invitation to take the number two position, and some of Mr. Kanemaru's colleagues had advised him not to be too closely associated with a prime minister whose reign could be short.

Mr. Miyazawa is generally reckoned to have made a poor start as prime minister, having already failed to win parliamentary approval for a bill authorising Japanese troops to take part in UN peace-keeping operations. He has also been hurt by a fresh scandal involving alleged donations to a senior member of his own faction.

In accepting the offer, Mr. Kanemaru, who will be formally appointed later this month, made clear he was responsible for Mr. Miyazawa's elevation: "When you choose a man to become leader, you must do your best to support him."

Court in Greece sentences Arab for bombing jet

By Karin Hope in Athens

A Greek court yesterday sentenced a Palestinian to 18 years' imprisonment on charges of plotting a bomb attack on a Pan-Am aircraft in 1982 that killed a Japanese passenger.

Mr. Mohammed Rashid, was arrested in Athens three-and-a-half years ago following a tip from US intelligence officials. But instead of granting a US request for extradition, Greek authorities decided to try him in Greece.

FBI agents and another Palestinian told the court that Mr. Rashid belonged to a Palestinian terrorist group, "May 15", which "used sophisticated explosive devices assembled by one of its members, Mr. Rashid, who served a prison term in Greece in the 1970s for narcotics smuggling, claimed that his arrest was a case of mistaken identity. He said that his name was Mohammed Hamdan, and that he belonged only to the Palestine Liberation Organisation.

Burmese Moslems flee to Bangladesh

HUNDREDS of Burmese Moslems flooded into Bangladesh as the two countries held talks to ease tension on the frontier caused by a border clash, Bangladesh state radio said yesterday, Reuters reports from Dhaka.

The second round of talks on Tuesday evening was held in a friendly and cordial atmosphere, the radio said without giving details. Bangladesh foreign ministry officials were not immediately available for comment.

The radio said more than 1,000 Burmese Moslems, called Rohingyas, had entered Bangladesh by boat and through the jungle during the past two days.

Second opposition party launched to oppose Moi

By Julian O'Connell in Nairobi

KENYA'S second opposition party was formally launched in Nairobi yesterday. The Democratic Party (DP) promised to end what it called President Daniel arap Moi's dictatorship and to usher in "democracy, good governance, accountability and transparency."

Mr. Mwai Kibaki, a veteran politician and former vice-president who resigned from Mr. Moi's government on Christmas Day, said his party was also committed to free enterprise and to racial, sexual and religious equality.

The Forum for the Restoration of Democracy (Ford) was the first substantial opposition party to be launched, before multi-party elections due this year.



Palestinian delegates to peace talks in Washington arrived in Amman three hours late yesterday because the Israeli authorities tried to stop three of their administrative staff leaving the occupied territories, Reuters reports from Amman.

Mrs. Hanan Ashrawi, the delegation spokeswoman - pictured above leaving Jerusalem - said the Israelis backed

down when the delegates threatened to go home if the three could not cross the River Jordan with them. "We told the Israelis that if they kept trying to impede the work of the delegation we would go back to our country and we really thought of doing so," Mrs. Ashrawi said.

The Palestinians, together with the Jordanian half of their joint delegation, plan to leave for Washington this morning for the third round of bilateral meetings since the US launched the Middle East peace process in Madrid in October.

Islamic party leader claims Algerian army is deployed

A LEADER of Algeria's Islamic fundamentalists, poised for election victory, said yesterday the armed forces had been deployed in strength throughout the country over the last 24 hours, Reuters reports from Algiers.

Mr. Abdelkader Hachani, leader of the Islamic Salvation Front (FIS) announced that he had "received reports from all regions, saying that the army and security forces have been deployed in force since last night."

There was no immediate official comment.

Diplomats said at the weekend that tanks and other units moved into positions around the capital last Thursday, a week after the FIS took a commanding lead in the first round of elections.

"We want to know what justification there is for this deployment. If it is because of the second round, why have they deployed in regions where seats were decided at the first round?" Hachani asked.

FIS deputies took 188 seats in the first round, just 38 short of a parliamentary majority, and are well placed for the second round on January 18, which will decide the remaining 189.

Mr. Hachani said there was no sign the government was preparing for the second



Hachani: no preparation for second round

round, which is only seven days away.

"There is no action which proves that the government is preparing for the second round. The government has taken no measures to organise the election," he said.

"Up to today the number of candidates is not ready, the method of voting is not clear, or how the elections will be controlled. Even the form of the voting forms is unknown. "We have asked the govern-

ment for all this but received no reply," he said.

Candidates have, however, been allocated time on radio and television to broadcast their campaign messages.

Eight parties are in the runoff, dominated by the FIS and the former ruling National Liberation Front (FLN).

Francis Ghiles adds: Mr. Hocine Ait Ahmed, the leader of the Front des Forces Socialistes, the main lay opposition party, said that he found the eventual victory of a military takeover "very difficult to believe".

He said he thought the deployment was a cautionary move before a decision, expected next Saturday, from the Constitutional Court on allegations of fraud in 145 constituencies.

In spite of the troop movements and the extreme tone of some of the FIS language - posters went up in Algiers declaring that the party would "propagate Islamic faith at home and abroad by persuasion (Al Tarbiyah) or by terror (Al Tarbiyah) - the mood in the capital was remarkably calm.

Algiers radio and the dozen or so newspapers published every day are full of arguments, insults and analyses - the sort of mix one would expect during a hotly-contested campaign in many western countries.

Keating acts to shore up economy

By Kevin Brown in Sydney

YESTERDAY'S one percentage point cut in Australia's official interest rates to 7.5 per cent is a result of government determination to shore up confidence in the country's flagging economy. Short-term interest rates have now fallen by 18.5 percentage points since peaking at 18 per cent in January 1990.

The reduction was expected following the appointment of Mr. Paul Keating as prime minister last month, after he defeated Mr. Bob Hawke in a battle for the leadership of the ruling Labor Party.

Mr. Keating argued during his leadership campaign for a more relaxed monetary policy to help the economy recover from the two years of contraction that had pushed unemployment to a 10.5 per cent post-war record.

The size of the cut was limited by a deterioration in the balance of payments in November, when the current account deficit jumped to A\$1.7bn (\$700m) seasonally adjusted, from around A\$1.4bn in the previous two months.

Short-term bond rates remained below the official rate last night, indicating confidence that the government would announce a further cut of up to one percentage point in the next few weeks.

Economists said the scope for further cuts was limited by the re-emergence of a balance of payments constraint on growth, and the weakness of the Australian dollar, trading at about 75.77 US cents in Sydney last night, against over 80 cents in September.

Political pressure for a further relaxation of monetary policy is likely to grow if unemployment figures due today show the economy is still shedding jobs.

Mr. John Dawkins, the treasurer, said the interest rate cut was "an appropriate response to the weakness in the economy" which would "assist in reviving confidence". But the government is pinning hopes on an economic statement to be made by Mr. Keating in late February or early March, following consultations with business and trade union leaders.

Mr. Dawkins said the government had some scope for a relaxation of fiscal policy without impeding the federal budget, expected to be about A\$8.5bn in deficit this year but expected to return to surplus when the economy recovers.

Diligent investigations by the United States of America, the United Kingdom and France have shown that the bombing of Pan Am flight 103 over Lockerbie and the destruction of UTA 772 over Africa are the result of Libyan state-sponsored terrorism.

Gaddafi is responsible for all terrorism originating from Libya. As absolute ruler, he has channelled the country's resources into these malicious acts. As long as Gaddafi remains in power, his regime will continue to be the world's main sponsor of terrorism.

The Libyan people commiserate with the families affected by Gaddafi's hideous acts of terrorism. We know too well the suffering and pain that he has caused them. The Libyan people have been his victims for over 22 years. Gaddafi's regime is accused of routine murders, torture and human rights violations in Libya. We have lost thousands of innocent Libyans under his tyranny, just as the world community has suffered from his state-sponsored terrorism

and support of organisations like the IRA and the Abu Nidal group.

Gaddafi's tyranny led us to organise ourselves into the National Front for the Salvation of Libya (NFSL) more than ten years ago. This movement was formed to encourage and unite all Libyan national forces opposed to the Gaddafi regime. The NFSL is determined to overthrow Gaddafi, dismantle his regime and restore freedom, democracy and the rule of law to Libya.

December 24, 1991 marked the fortieth anniversary of Libya's independence. The peaceful transition to indepen-

dence was hailed as a model for other nations emerging from colonialism. The role of the world community, specifically the United Nations, was critical in achieving this early success. Adrian Pelt headed a U.N. Advisory Committee which was involved in every step to lay the foundation of Libya as a modern democratic state participating peacefully within the world community.

Libya's democratic experiment was aborted by Gaddafi's military coup in 1969. Prior to the coup, Libya

enjoyed good relations with its neighbours and the world at large. Under Gaddafi the Libyan people have lost their freedom and their dignity. The NFSL is committed to returning Libya to its original course as mandated by the United Nations. It is our objective that Libya will soon resume its constructive role within the world community, and once again establish a reputation as a model of peace, development, stability and progress.

We, the Libyan people, forty years after the U.N. mandated independence, find ourselves once again appealing to the world community to support us to put an end to Gaddafi's rule, and restore freedom and democracy in Libya. We ask the United Nations and the world community to take direct action in opposing Gaddafi's regime. We in the National Front for the Salvation of Libya pledge to continue our struggle until Libya and its people are free once again.

For more information on the NFSL and its programme for a democratic Libya please write to: The National Front for the Salvation of Libya, 117 W. Harrison Building, 6th floor - Suite A246, Chicago, Illinois 60605, U.S.A.

CAN LIBYA BE FREE AGAIN?

NFSL

THE NATIONAL FRONT FOR THE SALVATION OF LIBYA

AMERICAN NEWS

Washington urged to abate global warming

By Michael Proulx in Washington

US POLICY-MAKERS have seriously underestimated the economic costs of global warming and should support an aggressive programme of international abatement.

The warning was delivered by Mr William Cline, a senior fellow at the Institute for International Economics, a Washington think-tank, at the annual meeting of the American Economic Association in New Orleans last weekend.

Most analyses of global warming have focused on the effects of a doubling of carbon dioxide concentrations, which on unchanged policies is expected by 2025. The consensus among scientists is that this would raise average global temperatures by between 1.5 and 4.5 degrees centigrade, with a "best guess" of 2.5 degrees.

Many economists believe this much warming would cause only limited economic damage, equivalent to perhaps 1 per cent of gross national product. The World Bank, for example, is expected to play down the economic risks of warming in the World Development Report this year, which will be devoted to the environment.

At the conference, Mr Lawrence Summers, the bank's chief economist, said global warming, even on "very pessimistic assumptions", would offset "less than six months' GNP growth over the next 40 years." It would not be "civilisation-threatening".

Mr Cline, soon to publish a book on global warming, says the conventional benchmark of a doubling of carbon dioxide levels by 2025 is misleading. "Because global warming is cumulative and irreversible, a much longer time horizon should be considered." Warming is set to continue at least until 2300.

Cuban capture

CUBAN security forces have captured three armed "counter-revolutionary terrorists" trained in the US, who had landed by dinghy on the northern Cuban coast to launch attacks, Reuters reports from Havana.

The Interior Ministry stated yesterday that the three, all resident in Miami, were seized during the night of December 29 after they had landed at El Jacaro near Cardenas in Matanzas province, about 90 miles east of Havana.

Haitian talks

HAITIAN parliamentary leaders who have met ousted President Jean-Bertrand Aristide in Venezuela yesterday expressed optimism that they could reach agreement with him for his return to power, Reuters reports from Caracas.

They declined to predict when an accord might be reached, but said talks with Father Aristide would continue.

The main point of contention is who would be prime minister under him.

THE RTZ DAVID WATT MEMORIAL PRIZE

This prize is a tribute to a man widely regarded as one of the UK's outstanding writers, thinkers and political commentators.

It was introduced in 1988, following the tragic and untimely death of David Watt, to commemorate his life and work.

To be eligible, writers must be actively engaged in writing on international and political matters for newspapers and journals, and in the English language. In the opinion of the judging panel their writing must have made an outstanding contribution towards the clarification of political issues, whether international or domestic, and the promotion of their greater understanding.

The 1992 Memorial Prize, which is £5,000, is organised, funded and administered by RTZ to whom entries should be sent.

Full details and entry forms are available from The Administrator, The David Watt Memorial Prize, RTZ Limited, 6 St. James's Square, London SW1Y 4LD. Closing date for entries and nominations is 18th March 1992.

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WORLD TRADE NEWS

US and EC struggle for spring accord on Gatt

By Nancy Dunne in Washington

US and EC trade officials this week have been struggling to devise a strategy for the Uruguay Round negotiations with the objective of producing a final package this spring. This would allow Congress to vote on the package before the November presidential and Congressional elections.

Both sides, however, have difficulties with the draft agreement submitted by Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade (GATT), on December 20. Mr Frans Andriessen, the EC vice president in charge of trade, and Mrs Carla Hills, the US Trade Representative, met on Tuesday in Washington to discuss procedures and "liked what each other had to say," an EC spokesman said.

An important stumbling block could be the meeting of

the EC foreign, trade and farm ministers in Brussels on January 10-11. EC trade and farm ministers already sent a chill through the negotiating effort on December 23 in rejecting the Dunkel agriculture plan.

The US difficulty is as much with agriculture as it is with the other sectors. The assumption in Washington has always been that the US would have to make concessions on the protected farm sectors and textiles in order to get the strong rules business groups want for intellectual property rights, services, investment, and market access. Many companies see the Dunkel paper as flawed and the developing countries as having gained too much.

With the US recession continuing, neither Congress nor its business constituents are keen to support yielding of US trade sovereignty. But business

groups have replied to Mrs Hills' request for suggestions on improvements to the Dunkel paper. The MTN Coalition, a group of companies in favour of the round, yesterday released a statement calling the Dunkel paper "a basis for continuing intensive negotiations." It urged Mrs Hills and the Bush Administration "to continue the administration's relentless pursuit of a broad-based strong agreement."

The International Intellectual Property Alliance issued a statement warning that "critical improvements" need to be made in the text to protect US copyright owners. It listed as a "critical defect...the inclusion of an unreasonably long - five-year transition period before less-developed countries would be required to comply with the copyright provisions."

Japan's car parts makers pose no threat to Europe, says study

By John Griffiths

JAPAN's car makers are discouraging Japanese component manufacturers from setting up in Europe "as a matter of policy", according to a new study of the European motor components sector by the Economist Intelligence Unit.

As a consequence, the prospect of an influx of Japanese components groups seriously threatening the welfare of Europe's indigenous components industry - as happened in the case of the US - can be "largely discounted", the report concludes.

Even in the absence of a Japanese threat, however, the West European components industry will be subject to further "drastic" restructuring in the near future, with a spate of acquisitions and mergers as vehicle makers come to rely increasingly on suppliers with a global capability, the report warns.

It earmarks south-east Asia and the Pacific rim as providing the greatest growth opportunities in vehicle and compo-

EUROPEAN VEHICLE COMPONENT SALES (\$bn)			
Manufacturer	1990	1989	% change
Bosch	10.70	7.81	+41.4
Delphi	10.51	5.17	+21.8
Philips	4.79	3.79	+26.4
Continental	4.66	1.77	+163.3
Valco	3.94	2.06	+91.3
Magneti Marelli	3.37	2.04	+65.2
ZF	3.11	1.94	+60.3
BSF	3.09	1.87	+65.0
GM	2.76	1.50	+84.0
Pirelli	2.62	2.50	+4.8
Lucas	2.45	1.99	+23.1

Source: EIU company data

ponents manufacture, and says that "it is now essential for European companies to establish bridgeheads in these regions" if business is not to be lost irrevocably, or overwhelmingly to the Japanese.

Germany's components industry as making the running, with nine manufacturing operations or joint ventures already under way, with several more forecast to follow.

The European Automotive Components Industry: A Review of the Industry and of 80 Leading Manufacturers. From The Economist Intelligence Unit, 40 Duke St., London, W1A 1DW. £495/£985.

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Going Dutch in heart of Brazil

THE town, with its small bungalows set on clipped lawns and its ruddy-faced, blue-eyed residents on their bicycles typical of a Dutch flower-producing region, exports its blooms all over the world. Except that it is in the heartland of Brazil.

Founded after the Second World War when Brazil was open to large numbers of immigrants, the town of Holambra, in São Paulo state, Brazil's economic hub, has overcome countless adversities to become Brazil's biggest flower producer with exports of more than \$2m a year. Its rose and gladioli bulbs and seedlings are sold mainly to Europe, including the Netherlands.

Largely due to the efforts of Holambra's growers Brazil's total floral exports rose from \$3m in 1987 to more than \$3m last year.

Holambra's first arrivals in April 1948 found the land - bought by the American and Dutch governments - "was nothing but jungle inhabited by wolves and jaguars", says 77-year-old Mr Wim Well.

In June 1948 the Holambra co-operative was created and its 5,000 hectares divided into lots. Many of the immigrants had been flower growers but it seemed hopeless to try to grow flowers in such heat for such a huge a country and no tradition of flower buying.

Mr Well says: "The first 10 years were really hard. We had to construct a city as well as a company and we had no idea what would grow."

The photo museum he now runs charts their not always successful efforts at growing rice, beans, peanuts, oranges, corn, soya and cotton and raising pigs and chickens. Cows sent out from time to time by the Dutch government died of tropical diseases.

Many settlers left for other parts of Brazil or went back to the Netherlands and the co-operative was on the verge of bankruptcy in the early 1960s. It was bailed out by the Dutch government which provided credit that allowed them to buy a truck they needed badly.

Holambra turned to flower-growing with the arrival in 1961 of Mr Henricus Schoenmaker who brought with him three generations of expertise and technology, setting up protected houses in which seedlings could be nurtured. His son Cornelius says: "It was a real struggle as there was no market. In the Netherlands every house has a vase of fresh flowers but here people used money to buy food not flowers."

Only really in the last eight years has it taken off."

Today of the co-operative's 330 members, 110 are flower growers and last year 25 per cent of total earnings of \$100m came from flowers. The co-operative grows more than 800 species of flowers and 1,000 tropical plants and has a third of the Brazilian market.

While Brazil's third year of

Christina Lamb visits a bulb and seedling export business based in a former jungle

recession is sending Italian and Japanese immigrants back to their native countries, many young Dutch people are arriving, attracted by cheap land, a growing market and lack of competition. Mr Renato Opitz, production manager of Holambra, says: "They can earn here in 10 years what would take a lifetime in Holland."

The constant influx of new people keeps the town on its toes, he says. "The older Dutch people have to adopt the new ideas to survive and send their children to the Netherlands to learn as Brazilian institutions do not have the technology."

Despite Brazil's economic woes, the country's \$75m a year flower market is increasing. Mr Opitz explains: "People in the A and B (social-economic) groups always buy flowers even in a crisis and when there is less money available those in the C and D groups also buy as a cheap alternative to presents."

Brazil's average flower consumption is 25 times less than that of Europe. To augment this Holambra has launched a newspaper, a weekly TV programme on flower care, and every September hosts a flower show that attracts 300,000.

However, the bigger growers such as the Schoenmakers are concentrating on exports and joint ventures with Dutch companies. Mr Schoenmaker who is hoping to expand on the 50m gladioli bulbs and cuttings he sells to the Netherlands, explains: "Although I think the Brazilian market has huge potential I don't want to depend on it because of the instability of government economic policy." After the Collor Plan in March 1990, for example, under which 80 per cent of the nation's assets were frozen, for weeks growers had to throw away their flowers.



UK signs £500m accord for Kuwait export credits

BRITAIN yesterday signed an agreement making available £500m in export credits for Kuwait, writes Anthony McDermott.

The medium-term credit, signed yesterday by Mr Tim Sainsbury, UK trade minister (left), and Mr Abdullah al-Gabandi, the managing-director of the Kuwait Investment Authority, is to be managed by the Export Credits Guarantee Department (ECGD), and should provide welcome backing for UK companies in winning contracts for the \$20m (£10.7m) effort to rebuild Kuwait after Iraq's invasion in 1990.

Since Kuwait's liberation last February, UK companies have won deals worth £491.6m, amounting to about 20 per cent of contracts on offer.

This deal follows similar agreements that Kuwait has concluded with such countries as the US, which has won the cream of the contracts, Canada, Japan, and other countries in the EC. On returning from a visit to Kuwait last November, Mr Sainsbury said that while building contracts were not as substantial as first thought, many re-supplying orders were available in telecommunications, electronic equipment and vehicles. This re-stocking could take three to five years. Financing should not be a problem with Kuwaiti oil production reaching pre-invasion levels of 1.5m barrels a day by the end of this year.

China threatens retaliation if US imposes trade sanctions

By Yvonne Preston in Beijing

CHINA yesterday warned the US it would impose retaliatory duties on US imports worth \$1.2bn (\$641m) if Washington carries out its threat of trade sanctions against Beijing.

The warning comes on the eve of the sixth and final round of trade talks between the two countries on the protection of copyright and patents, due to open in Washington tomorrow. The talks are scheduled to last two days.

The US has announced it will impose tariffs of up to 100

per cent on a wide range of Chinese exports valued at \$1.5bn if agreement cannot be reached on the protection of US intellectual property.

It has set a deadline date of January 16, extended from November 26 last year, for a resolution of the dispute. If none is reached it will invoke the punitive sanctions allowed under the 301 Section of the US Trade Act.

Washington says China's laws provide inadequate protection for copyright and

Airbus orders show sharp fall

AIRBUS INDUSTRIE said aircraft orders fell to around 100 in 1991, well below 1990's 404 and the group's earlier 1991 forecast of 145. Renter reports from Paris.

An Airbus spokesman also said the group delivered slightly fewer than the 170 jets it forecast for 1991. It delivered only 95 aircraft in 1990 because of a strike at one of its partners.

All of the civil aircraft makers expected orders to plunge in 1991 because of losses suffered by most world airlines and a natural pause after the buying binge in the late 1980s.

The airlines have been hit by economic downturns in the US and much of western Europe and by the Gulf crisis of late 1990 and early 1991, which slashed world airline traffic.

Airbus is a consortium made up of France's Aérospatiale, British Aerospace, Construcciones Aeronauticas de Spain and the Deutsche Airbus unit of Germany's Daimler-Benz. It booked a record 421 orders in 1989.

China signed contracts worth \$100m (\$53m) in 1991 to sell 32 civilian aircraft to 11 countries and areas, the China News Service said. Renter reports from Hong Kong.

Iran is ready to return six Kuwaiti aircraft down to safety by Iraq during the Gulf War last year, Mr Assad Koteibi, the head of the UN aviation authority has said. Renter reports from Nicosia.

Weekend FT

You obviously know "how to make it" - you're reading the weekday FT.

At the weekend however your attentions turn to other things, as indeed do ours. Having "made it", how for instance do you best "look after it?" Well, Weekend FT's "Finance and the Family" pages cast an expert eye on all aspects of personal finance.

We identify investment opportunities, assess and compare your options and discuss your problems.

Along with the more serious business of "looking after it" we focus our minds on how to enjoy it, or in *Lucia van der Post's* case, quite unashamedly "How to Spend it" - on which, incidentally, she's never short of ideas. Our property pages feature, along with some sound advice, many of the most interesting homes on the market.

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All this and our weekend has barely begun. Order your copy of the Weekend FT from your newsagent this Saturday and join us.

Every Weekend

TECHNOLOGY

Electric vehicles gain momentum

By John Griffiths

A prototype of the electric car that BMW intends to sell in the US in the second half of the 1990s is on display at the Los Angeles motor show which opened to the public this week.

It represents one of several developments in the electric car front in the past few weeks, with more manufacturers indicating their interest in commercial production of such vehicles, despite their formidable cost and performance disadvantages compared with petrol or diesel cars.

They are being spurred by the accelerating momentum in North America towards wide adoption of California "clean air" standards. These require that from 1996 zero emissions vehicles (ZEVs) in other words electric cars, make up a percentage of the sales of every manufacturer selling more than 35,000 cars in the state, rising to at least 10 per cent of annual sales from 2003.

Manufacturers who do not comply will be barred from selling any cars in the state. In California alone, this means a forecast of 35,000 ZEV sales in 1996, rising to more than 150,000 a year from 2003.

However, a further 12 states, plus Washington DC, have now indicated their intention to adopt the California standards which would mean 110,000 ZEV sales in 1996 and more than 500,000 in 2003.

Despite the fact that General Motors is already preparing a plant to produce the impact, which GM intends to be the first electric car in volume production, GM, Ford and Chrysler collectively insist that other states do not have California's

air pollution problems. But along with European and Japanese manufacturers seeking to maintain a presence in North America, they want vehicles ready to put on the market if California's standards spread throughout North America and into Europe.

In the past few weeks Fiat has indicated its intention to produce an electric version of the Cinquecento, its new small car, and Citroën of France has unveiled prototype electric town car, the Citicarb.

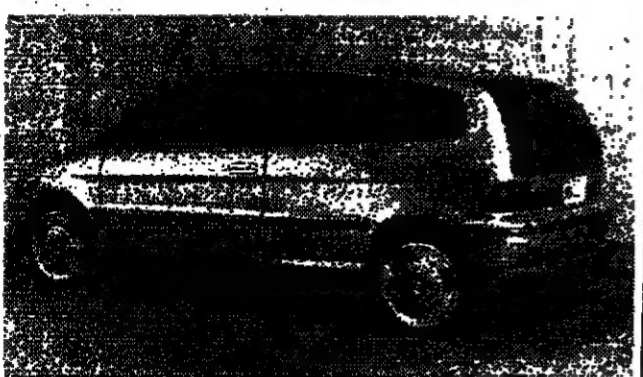
Earlier this week Ford said that within a year it would have a fleet of 80 Ford Ecotec electric vans running commercial trials in several US and European cities.

The BMW at Los Angeles, designated E2, strongly resembles an earlier prototype, E1, unveiled at the Frankfurt motor show in September. However, it has been "stretched" to accommodate a bigger battery pack for long distances and to provide extra interior room for the Californians who initially will buy it.

Stylised by Los Angeles-based Designworks, of which BMW is part owner, the E2 is claimed by BMW to have a maximum range of 267 miles; acceleration to 50mph in 15.6 seconds and a top speed of 75mph.

The batteries are high-energy sodium-sulphur. Problems include an eight-hour recharging time and a battery cost of around DM40,000 (£14,000).

Citroën's model, the Citicarb, is a city car with a recyclable body. Citroën claims a range of up to 130 miles, a top speed of up to 70mph and a quick recharging facility of one minute per mile of range.



BMW's E2 prototype is headed for California

an Sematech, the controversial US government-funded chip makers' consortium, live up to its promise to "re-establish American pre-eminence in semiconductor manufacturing technology".

As Sematech leaders seek support for a second five-year phase of operations, the achievements of the research consortium are coming under closer scrutiny in both industry and government circles.

Sematech is also being closely watched as an experiment in precompetitive, generic research and development that may provide an important model for other sectors of the US manufacturing industry struggling to maintain or reassert their international competitiveness.

This week's withdrawal of one of Sematech's founding member companies, LSI Logic, has raised new questions about the effectiveness of collaborative ventures among companies with differing technology and financial objectives.

To date, it has been difficult to assess Sematech's achievements. Many of the consortium's research projects have been shrouded in what the group's executives acknowledge has been "excessive secrecy" aimed at maintaining maximum competitive advantage for member companies.

But now Sematech is boasting about its achievements and has recently published a summary of the results of some of its research projects. "By the end of 1992 we will have achieved parity with our [Japanese] competitors," claims William Spencer, Sematech president and chief executive.

By the end of 1992 Sematech expects to show that it can make integrated circuits with features measuring just 0.35 microns (thousandths of a metre) in width, about half the size of today's most advanced devices. This will put Sematech on a par with leading Japanese chip producers.

More significant is that Sematech aims to achieve this advance in chip production technology using all American-built equipment.

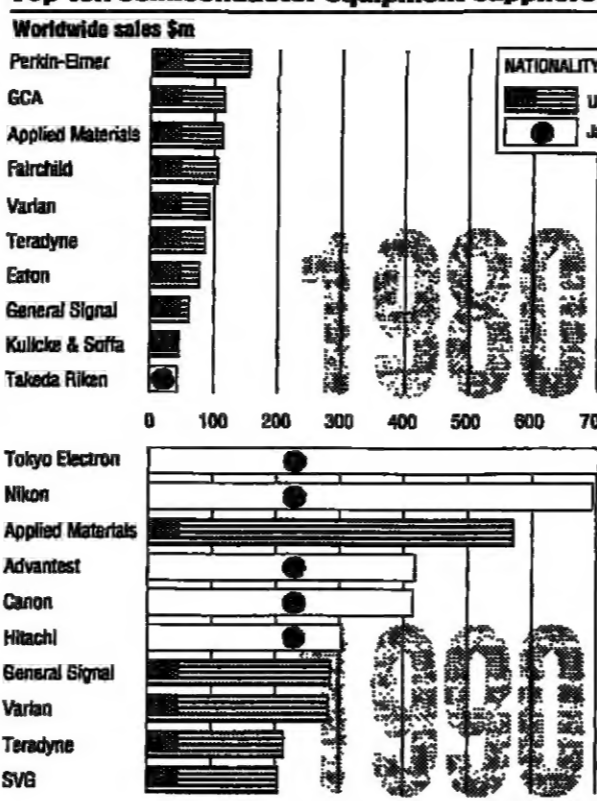
When Sematech was formed, in 1987, its member companies expected to purchase less than 40 per cent of their production equipment for the next generation of "sub-micron" chips from American suppliers. Actual purchases by US chip makers now average over 70 per cent American-made.

For Sematech this is one of the most important measures of its success to date. Although

Louise Kehoe assesses Sematech's ambitious five-year plan

Growing pains

Top ten semiconductor equipment suppliers



the consortium originally planned to focus on the production process rather than the manufacturing of equipment, the emphasis changed.

Well over half of Sematech's budget has been dedicated to R&D contracts with US semiconductor equipment companies to create new equipment or to improve the performance of existing products.

Sematech highlights, for example, its work with GCA, a US manufacturer of photolithography equipment, that had seen its market share dwindle in the late 1980s. GCA's latest lithography equipment

For Sematech this is one of the most important measures of its success to date. Although

Not all of Sematech's member companies were pleased with the shift of emphasis. "Preserving the US equipment industry is a laudable goal, but it was not Sematech's charter," complains Wilfred Corrigan, chairman of LSI Logic.

Sematech has prepared a lengthy summary of its technical accomplishments, detailing improvements in the performance of US-built semiconductor production equipment as well as programs designed to standardise equipment testing and establish standards for equipment interfaces.

But Sematech's most important achievement, according to industry executives, are intangible changes in the rela-

tionships between US chip makers and production equipment suppliers - from adversarial to partners.

Sematech cannot prove that it is responsible for an improvement in the competitiveness of the US chip industry, or of US production equipment suppliers. While both segments of the industry have achieved some success in world markets, these results can be explained by external factors.

US chip makers, for example, reversed their declining share of the world semiconductor market in 1991. This is largely explained, however, by a sharp decline in the price of memory chips made in Japan. Similarly, some US semiconductor equipment producers have increased their foreign sales, but might well have done so without Sematech's support, according to industry analysts.

Under pressure to establish its value in order to obtain continued funding, Sematech may be "sugar coating" its record, glossing over the difficulties of maintaining a consensus among companies with differing goals and expectations.

Sematech might do better to admit that it is only now getting into its stride. Although the industry group was incorporated in August 1987 it was almost another year before the appointment of Robert Noyce as chief executive.

Only in early 1989 did Sematech begin operation of its prototype chip plant in Austin. After a significant re-evaluation of the direction of Sematech, it began to take shape in the second half of 1989 but was still beset by concerns over federal funding.

The sudden death of Noyce in mid-1990 left Sematech bereft of a leader. William Spencer, the current chief executive, has had only one year at the helm. Thus while Sematech is being judged as a five-year old it is really little more than a toddler, still wobbling on its feet but determined to prove its abilities.

Sematech's plans for the next five years are just as ambitious as those mapped out for its first. They include the development of computer-integrated manufacturing software for automated chip plants and a new emphasis on flexible manufacturing.

Sematech aims to accelerate the development of new generations of semiconductor technology by 25 per cent. "Sematech's proposals are without precedent," Spencer claims, "but five years ago Sematech was without precedent."

Breast implant ban would cost £400m

By Clive Cookson

If the US Food and Drug Administration converts its moratorium on the use of silicone breast implants to a permanent ban, it will destroy a medical industry with a worldwide turnover estimated at \$400m a year.

Breast enlargement and reconstruction is one of the largest categories of cosmetic surgery. In the US at least 10,000 women a month receive breast implants - about 80 per cent are cosmetic operations and the remainder are to replace diseased breasts, usually after cancer.

The UK has 500 implant operations a month, half for cosmetic and half for medical reasons. The operation typically costs \$2,500 for a private patient. Most of this is to cover surgical and hospital fees. A pair of implants costs around \$400, says Jim Bolland, European clinical affairs manager for Dow Corning, the world's largest mammary implant manufacturer.

Dow Corning, a US company owned jointly by Dow Chemical and Corning Glass, suspended shipments worldwide following this week's FDA decision to stop the use of silicone implants while an expert panel assesses evidence about their safety. The implants have been linked particularly to diseases of the immune system such as scleroderma, which causes hardening of the skin and stiffening of the joints.

Most plastic surgeons in the UK have expressed dismay at the FDA action, which they say is not justified by the very small incidence of side-effects among more than 2m women worldwide who have had silicone implants over the last 30 years. Many agreed with Gus McGrouther, professor of plastic surgery at University College Hospital, London, who accused the FDA of scaremongering and creating an unnecessary "wave of international panic" among women who have received implants.

"I shall carry on operating for as long as I can obtain the implants," says David Sharpe, consultant plastic surgeon at St Luke's Hospital, Bradford. He still has stocks of American implants and if they cannot be replenished he hopes to get replacements from Europe.

Most implants today are filled with silicone gel, which has the right amount of chemical cross-linking to mimic the consistency of natural breast tissue. The old type of "saline" implant, filled with a solution of salt water, accounts for 10 to 15 per cent of the UK market. Saline implants are not included in the FDA moratorium but they suffer from several disadvantages. Sharpe says. They feel less natural than silicone and are more liable to leak or collapse.

Unfortunately the original smooth-surface silicone implants often cause "capsular contraction". This occurs when a hard layer of collagen (fibrous protein) forms around the device.

One solution was to coat the silicone with polyurethane. Surgitek, a subsidiary of Bristol-Myers Squibb, the US pharmaceutical group, pioneered polyurethane-coated implants during the 1980s. They were popular with surgeons and patients but were withdrawn from the market last year after the FDA expressed concern that the coating could release carcinogenic chemicals into the body.

Plastic surgeons now favour implants with a "textured" silicone surface which are less liable to cause capsular contraction than the original smooth surface.

As an alternative to an artificial implant, it is possible to enlarge the breasts of some patients by transplanting fat and muscle from their own buttocks or abdomen. But this is a potentially complex and hazardous operation and it could not be used on such a wide scale as silicone implants.

Whatever one's views on the merits of purely cosmetic breast enlargement (or augmentation as it is known in the trade), breast reconstruction has become a medical necessity for women forced to undergo mastectomy following cancer, Sharpe says. And the prospect of having their breasts replaced helps patients come to terms with the disease. An unfortunate side-effect of the FDA scare has been to frighten companies such as Bristol-Myers out of implant manufacturing, instead of developing new and safer devices.

BUSINESS LAW

The drive to greater efficiency

By James Wheaton and Graham Smith

HOWLS OF anguish often greet the announcement of the award of a government contract. It is the result of a competitive process, British industry claims. It is being put at risk, if it goes to a British company foreign competitors claim it increases the cost to the British taxpayer.

The most spectacular instances usually occur in the defence sector. Recent examples include the award to Vickers of the contract for the Army's main battle tank, the Challenger II, against strong US competition; and the success of the IBM-Westland consortium for the Navy's Merlin helicopter over GEC and British Aerospace.

Up to now, companies seeking government business have lobbied ministers, civil servants and MPs, and tried to get their case well aired in the press. But apart from looking at the fine print in the invitation to tender, and the contract, their lawyers have been able to offer little assistance.

This has now changed. The EC Public Procurement Directives have been given real teeth in the UK. Companies which can show that rules in the Directives have been broken can now go to the High Court and ask for an injunction to stop the contract being awarded. If the contract has already been awarded, they can claim damages.

This is the effect of two Statutory Instruments, "The Public Works Contracts Regulations 1991" and "The Public Supply Contracts Regulations 1991" which came into force on December 21 last year.

The main reason for the EC Directives is the long-standing concern of the European Commission in Brussels about national governments buying goods and services from their own companies.

Public sector procurement expenditure in the EC is enormous, amounting to about 15 per cent of the sum of the EC countries' GDP. Only a tiny fraction has been awarded by national public sector purchasers to companies from other EC countries. One estimate is that every consumer in the EC would be £215 better off every year if open procurement rules were followed by the utilities, water, energy, transport and telecommunications - alone.

But there are other reasons for the Directives apart from helping to create the single market. The EC Commission argues that open competition would lead to greater efficiency, cut costs and improve the international competitiveness of EC industries.

The policy of the UK government is to support the directives. Speaking in June on competition policy as the main incentive to efficiency, Mr Peter Lilley, trade and industry secretary, warned: "We will not see the benefits from the single market programme until we dismantle restrictive national purchasing policies."

The US has had legislation to compel competition in government contracting for many years and "bid protest litigation" is common in America. Contractors can protest to a number of tribunals, including the General Accounting Office, and the General Services Board of Contract Appeals, which have to render decisions in no more than 90 and 45 working days respectively.

It remains to be seen whether claims could be made for loss of opportunity and profits

During last year, protesters obtained relief before the GSCA in some 131 cases - 42 per cent of cases filed.

In the UK the two new regulations give important rights to contractors and suppliers. The court may grant an interim order suspending the contract award procedure, and if it is satisfied that there is a breach of the duty to comply with the regulations, it may set aside any decision of the contract awarding authority (unless the contract has been entered into) or award damages, or do both.

There is no limit on the amount of damages which may be awarded. Clearly the costs of preparing an unsuccessful tender could be claimed. For a big project, these may be very substantial. It remains to be seen whether the courts will entertain claims for loss of opportunity and profits.

The rules are complex, and differ between contracts for the supply of goods and those for works, such as building or engineering works.

Contracts must be publicly advertised in the EC "Official Journal". Large purchasers will have to give advance notice of their purchasing plans for a year ahead. Discriminatory technical specifications are prohibited.

Rules are laid down for contract award procedures. Preference is given to "open procedures" whereby all interested suppliers can tender, and there

are limits on the use which contracting authorities can make of "restricted procedures" (whereby only those invited by the authority may submit tenders) and "negotiated procedures" (whereby the authority negotiates only with the contractors or suppliers of its choice).

Contracts must be awarded either to the offer with the lowest price or to the offer which is "the most economically advantageous" to the contracting authority; the authority must select at the outset which basis it will use. Criteria for determining "the most economically advantageous" offer are laid down.

Contracting authorities must give information about contract awards including, in some cases, reasons for rejecting unsuccessful tenders. Minor contracts are

excluded. The rules do not apply to contracts for public works with an estimated value of less than £50m, or to supply contracts below £200,000 (there is a lower threshold for those central government purchasing authorities which are subject to the Gatt Agreement on Government Procurement).

The rules do not apply only to central government departments, but also to many other public bodies such as local authorities, police, fire, education and health authorities. From January 1, 1993, the rules will be extended to most EC member states to the utilities.

Even though companies operating in these sectors may not be state owned, they will still be caught if they operate on the basis of "special or exclusive rights". The rules will therefore apply, for example, to the UK electricity companies, water companies, British Gas, BAA, British Telecom, Mercury and Racal Vodafone.

In due course the rules will also extend to contracts for services as well as for works and supplies.

The new UK regulations implement the so-called "review directive" adopted by the EC Council in 1989, which required implementation by December 1, 1991. The UK is one of the first member states to do this.

France has introduced a bill, but it has not yet been enacted. In Germany the legislative process

cedure is not expected to be completed until the end of 1992. There has been criticism that the UK is opening its doors before the others. However, other procedures (under which a number of cases have been heard in the European Court) may still give a remedy, although these involve the Commission bringing an action against a member state and have not been very effective.

And, in the Francovich judgment last November, the European Court of Justice held that a member state which has failed to implement a directive can be sued for damages. Sematech has prepared a lengthy summary of its technical accomplishments, detailing improvements in the performance of US-built semiconductor production equipment as well as programs designed to standardise equipment testing and establish standards for equipment interfaces.

There is one notable exception in the rules - they do not apply to "arms, munitions and war material" as defined in a list drawn up by the EC Commission under Article 223 of the Rome Treaty.

Many of the biggest government contracts will, therefore, be covered by these new rules. In a recent speech, Sir Leon Brittan, EC competition commissioner, expressed dissatisfaction at this: "It has meant, in practice, that the bulk of European defence orders are still filled by highly protected, high cost, national producers... It has led to grotesque distortions too in the sub-contracting field, because companies making defence related bids across national frontiers have to devise so-called 'off-setting' contracts in the customers' market."

Sir Leon recorded that the Commission has suggested the repeal of Article 223. In the meantime, it will be looking closely at any devices to protect so-called "dual use" production with primarily civil applications. The Commission is showing considerable determination to impose a strict public procurement regime, and can be expected to continue to press for it to be extended also to all defence contracts.

The authors are partners in the London and Brussels offices of City solicitors Clifford Chance.

TWO MAJOR FT INTERNATIONAL CONFERENCES

CABLE TELEVISION & SATELLITE BROADCASTING

London, 17 & 18 February, 1992

This Financial Times annual conference will review the international world of broadcasting and the media - a growth industry for the 1990s; the fallout from the competitive tenders for ITV franchises and the new business opportunities that will arise.

Speakers include:

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Mr Jean Grenier Eutelsat	Mr Terry Seddon Asia Satellite Telecommunications Co Ltd
Mr Yegor Yakovlev State Company for Television and Radio Broadcasting, USSR	Mr Gérard Le Febvre CLT Multi Media
Mr Michael Checkland BBC	Mr Leslie Hill Central Independent Television plc
Mr Michael Grade Channel Four Television Company Limited	Mr Christopher Rowley FiveTV Limited

TELEVISION OF TOMORROW

London, 19 February, 1992

This one-day conference will review television systems of the future including prospects for all-digital HDTV; the global standards debate, the pros and cons of different systems.

Speakers include:

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Dr Takashi Fujio Matsushita Electric Industrial Co, Ltd	Dr Joseph Flaherty CBS
Mr Andrew Lippman MIT	Dr Michael Windram National Transcommunications Ltd

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Chateau Latour is one of the ultimate brands, says Michael Jackman, chairman of Allied-Lyons, the UK drinks and food group, which owns the Bordeaux premier cru.

For 300 years, Latour has been a benchmark of quality. Its reputation enhances our entire drinks portfolio. It spells out Allied's long-term commitment to international premium brands. It is the jewel in the crown.

It was for its prestige rather than its profitability that Allied acquired Latour in 1988, paying £58m to add the 53 per cent shareholding of Pearson, publishers of the Financial Times, to the 25 per cent it already owned. It has since increased its stake to 95 per cent.

Jackman admits that such an investment would have been difficult to justify on a more basic calculation of return on capital. Despite the fact that a dozen bottles of Latour's 1981 vintage would fetch about £5,000, the Médoc estate - whose value has now risen to about £160m - makes annual profits of only £5m.

The prime objective in managing the brand, therefore, is to maintain and improve its reputation for excellence; to ensure that it retains its place alongside, if not ahead of, its rival first-growths, Chateau Lafite, Chateau Margaux, and Chateau Haut-Brion.

Financial returns are readily sacrificed to maintain the quality of the wine, says David Orr, director of the estate, who previously ran Allied's fine wine

Bouquets that are not to be sniffed at

Philip Rawstone visits Chateau Latour, where prestige has a higher priority than profitability

business in the UK.

Grapes for the *grand vin* come only from vines grown in the 100 acres of gravelly soil that comprised the original 700-year-old estate overlooking the Gironde. This is the *terroir* - the French word that encompasses the area's soil, sub-soil, drainage, aspect and micro-climate - which gives the wine its singular, slow-maturing savour.

Only the grapes from vines that are more than 10 years old are used and fruiting is restrained to improve quality by severe pruning and by thinning the bunches of green grapes in July.

Selective picking at harvest time ensures that any grapes judged unfit for the *grand vin* are used with fruit from younger vines and those in the outlying areas of the estate to make a second wine, Les Forts de Latour, and sometimes a third, classed simply as Pauillac. Les Forts fetches half the price of the *grand vin* and Pauillac, half the price of Les Forts. Rigorous control of quality continues during fermentation - in the first stainless steel vats to be used in the Médoc - and afterwards in the blending. The result is that, even in the best of years, Latour produces no more than 20,000 cases of *grand vin*.



Chateau Latour: "spells out Allied's long-term commitment to international brands. It is the jewel in the crown"

"The wine is sold in the year after the vintage while it is beginning its maturation in new barrels of French oak. It

is like selling a future," says Orr. "The wine will not be ready for drinking for 20 years. For the buyers, it represents

an enormous act of faith." The price at which it is offered takes account of the quality of the vintage and eco-

nomie conditions, particularly in the main markets, the UK and US. The 1990 vintage was offered last year at £23.25 a

bottle. "We try to lead the market in a responsible way," Orr says. "The health of the entire Bordeaux business is important to us."

There is no difficulty in finding buyers. The spread of international markets, from Austria to Japan, helps to offset any problems in any one country. "The key for a first growth," says Orr, "is not in selling but in selling well."

Allied has only limited control over marketing and distribution because of the French government's concern that it should not by-pass the long-established channels through Bordeaux merchants.

But it has modified the process. It retains 15-20 per cent of the vintage each year, building stocks that can be sold in years, say, when frost cuts production, as in 1981.

The wine is sold to only half of the 120 Bordeaux *négoçians*; the amounts allotted to individual merchants are limited; and the chateau sells direct to a number of wine importers.

Though Latour's claims as one of the world's great wines were first proclaimed in the UK in advertisements in the early 1970s, the chateau no longer advertises its product.

Its reputation is fostered discreetly and conservatively, but with some vigour. "The wine

has to be seen in the right places - the best restaurants, Oxford colleges, London clubs," Orr says. It is sold direct to the Elysée palace and the British embassy in Paris and was served at the recent G7 dinner for Mikhail Gorbachev in London.

One exclusive tasting is arranged in Britain each year, and last year 334 magnums of vintages ranging from 1961 to 1988, worth \$250,000, were tastefully presented at a New York gathering of wine buffs.

"It is important to talk to the top wine merchants and importers, to wine writers and collectors," Orr says. "There are perhaps 50 to 75 collectors around the world; a network of connoisseurs which monitors the progress of first growths as closely as others follow stocks and shares, but who buy the best wines to drink and not as an investment."

"It is a very small world but its opinions are vital to the wider perception of Latour."

An almost obsessive attention to detail - from the alignment of the chateau's tower symbol on the cork with that on the label of each bottle, to the arrangement of flowers in the chateau itself - goes into ensuring that nothing detracts from that perception.

"We are very conscious of Latour's historical heritage," Orr declares. "It is the product of centuries of intensive cultivation and it is our task as the latest in a long line of wine-makers, to ensure that it passes to the next generation with its prestige higher than ever."

The UK Advertising Standards Authority (ASA) has extended its reach into one of the fastest growing areas of advertising, that of direct marketing, one of the industry's most important, most heavily criticised and least understood areas.

Advertising expenditure on direct mail - the cornerstones of direct marketing - grew by 29 per cent in 1990, reaching some £975m (out of a total of about £1.58bn on all forms of direct marketing in the UK), a year when other forms of advertising were static. According to Mintel, the research organisation, the turnover of the UK's top 35 direct mail agencies grew by a healthy 17 per cent in 1990.

But in the UK, direct mail has acquired a poor image thanks to a few unscrupulous operators, particularly in holiday timeshares. Now the ASA has the power to offer redress against direct mail scams. It formally launches its new code of practice covering the industry, including list and database man-

Rules posted for the junk mail merchants

Gary Mead investigates a new code of practice which aims to bring the cowboys to heel

agement, on January 26; the code came into force on January 1. The new rules have a scale of sanctions against infringements, ranging from loss of the volume discount offered by the Royal Mail to referral to the Office of Fair Trading.

The new regulations, devised by the direct mail committee of the Advertising Association, have the backing of the UK Direct Marketing Association (UKDMA) - umbrella organisation for the leading companies in the industry - and the Royal Mail.

Alan Bigg, chairman of Brunel Direct, one of the UK's six largest direct mail agencies, believes that "taking direct marketing under the wing of the ASA will be excellent for both the industry and the consumer."

All the consumer research shows that people are happy to receive information from companies when they either know the company or how the company obtained their details. What annoys them is mail which spuriously claims an intimacy.

Consumers who do not wish to receive direct mail are best advised to have themselves listed on the Mailing Preference Service, which should ensure they are removed from the commercially available database lists.

The average UK household annually receives some 40 pieces of direct mail through its letterbox - against a US average of more than 500 items - but less than 10 per cent of that is requested by the

customer. Nevertheless, once it has arrived, 61 per cent of it is opened and read.

Yet despite its pejorative connotations - junk mail - in 1991 more than 60 per cent of the UK population either bought goods through direct mail or replied to a direct response advertisement.

That score rate, say direct marketers, means that direct mail can claim to be effective beyond other forms of advertising. They love to quote - in their favour - Lord Leverhulme's remark that "I know that half of my advertising budget is wasted. The only trouble is I don't know which half". He should have used the mail.

But while the UK adopts greater self-regulation of the direct market-

ing industry, the EC is moving in the opposite direction. According to Tony Coad of NDL, the UK database company, and public affairs spokesman for the Brussels-based European Direct Marketing Association, the current draft on data protection might cripple the industry in the UK and other member states.

Coad says that until mid-1990, the European Commission appeared to be following a pragmatic line on harmonisation of legislation concerning direct marketing. DG-13, the directorate responsible for communications, had been preparing a draft law based on the relatively relaxed recommendation adopted by the Council of Europe in October, 1985, concerning the protection of per-

sonal data used for the purposes of direct marketing.

"Then DG-3, the directorate concerned with the single market, took over," says Coad. An all-German team in DG-3 drafted legislation closely resembling that prevailing in Germany, restricting the compilation of any personal data and thus drastically reducing the possibility for targeting consumers. Were that to become EC law, manufacturers, financial services companies, charities, airlines and political parties could all find themselves hamstringed in their contact with the public.

Coad sees the muddle partly as a result of cultural and historical differences between EC member states. "Understandably, German

society, which spends most on direct mail in Europe, is very concerned about data protection. The Stasi used to advertise for male penfriends in the west, simply to collect data. Yet Italy, the number two spender, seems to have no public demand for a data protection act. Different cultures need different forms of protection."

"Chris Fadden, the Conservative party chairman, wrote to me asking for financial support. He would not be able to do that if the current EC data protection draft became law, as he would not even be able to approach me to ask if he could solicit my support," says Coad. He adds that "DG-13 now seems to be back in the frame and unscrupulous 'the masses', but that it now looks unlikely that the draft will be ready for the European parliament's approval before the end of 1992."

*Rules for direct marketing available free from the ASA, 25 Brook House, 3-15 Torrington Place, London WC1E 7HN.



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Raven croaks at Motherwell

EVER SINCE Mr Harold Macmillan announced, in 1958, that a major steel industry investment should be divided between Scotland and Wales on regional policy grounds, the position of the Ravenscraig steel works has been a matter of controversy and doubt. In the 1960s, the steel industry needed consolidation on appropriate sites, not further politically motivated fragmentation.

To most observers in the last two decades, the plant, near Motherwell in central Scotland, has appeared doomed. With the loss of the nearby Linwood and Bathgate vehicle manufacturing industries, central Scotland could offer neither local raw materials nor local markets. British Steel, privatised in the 1980s, and chasing world-class costs and productivity, has in recent years not bothered to conceal its ultimate intention for Ravenscraig.

Although none of this has quietened Scottish political passions on the subject, even influential voices in Lanarkshire have in the last year urged recognition of reality, since a government-commissioned Arthur D Little report underscored the weakness of Scotland's claim to a place in world steelmaking.

None of this alters the fact that the loss of the thousands of jobs in Ravenscraig represents a local economic catastrophe. To some extent, those Scottish politicians who have done most to overstate Ravenscraig's claims to a future have made the problems of transition worse.

No duplicity

Equally, British Steel has not helped in the last two or three years by refusing to make more explicit the economic case against Ravenscraig. The company cannot, however, fairly be accused of duplicity over the timing of yesterday's announcement. It had long said that its preferred closure date of 1994 was subject to market conditions; the faltering nature of the UK economic recovery is presumably precisely what British Steel feared when it offered this caveat. It should go without saying that there is no case for compelling British Steel to act against its own commercial best judgment.

HK governor

IT WILL be a difficult and probably thankless task to oversee the hand-over of Hong Kong from Britain to China in 1997. Most former colonies have emerged independent, but Hong Kong will uniquely be delivered, even if as a Special Administrative Region protected by its own law, to well-established, and decidedly threatening, communist rule. The governor succeeding Sir David Wilson later this year must be carefully chosen. Though Sir David's retirement - announced with his elevation to a peerage last week - was not a surprise, the hiatus until a successor is announced after Britain's general elections is unfortunate. These are uncertain, nervous times for Hong Kong. It can do without a period of speculation in which a series of unlikely names are handed about.

The government should try to obtain cross-party agreement to appoint a new governor before the elections. This could be difficult since some potential candidates might hope for other offices in London if their party were to win. But the future of Hong Kong is

important enough to try.

No clues are being given as to whether the new governor will be a diplomat, politician or from any other calling - with the one qualification that Hong Kong Chinese people appear to have been ruled out. Though China, which views the Hong Kong administration simply as an extension of the British government, would doubtless object strongly to a local governor, that is not a reason for rejecting the option outright. The idea has merit. But it has to be recognised that any governor must also be able to deal with Beijing.

The governor will need to be not only an effective representative of departing Britain, but also alert to the needs of Hong Kong people. He, or she, must be prepared to stand up for them openly in negotiations with both London and Beijing, which between them take the most important decisions. Above all, the governor should not be seen as conditioned by Britain's former imperial role. He, or she, should be a politically adept, sensitive, robust and open chief executive, not a symbol of the Raj.

End set-aside

HATS OFF to Clark. No, not the publicity-hogging Kenneth Clarke, but David Clark, the Labour party's shadow agriculture minister. Unlike John Gummer, self-proclaimed advocate of efficiency in a supposedly pro-market government, Dr Clark knows interventionist nonsense when he sees it. And in the set-aside scheme for taking land out of production he has, indeed, found "one of the more insane aspects of the common agricultural policy". The objection to set-aside is not, as the Sunday Times has tried to show, that it is vulnerable to fraud; fraud is certainly not needed to make it an outrage. First, policy-makers pay farmers to produce surplus food, then, to deal with the surplus, they dump the excess on world markets, at vast cost to EC taxpayers and less cost to competitors; now, to limit the surpluses, they pay farmers not to produce and the more land they agree not to produce on, the more they will pay. The law of the conservation of absurdity applies here: policy may change, but total absurdity remains constant.

Dr Clark's parliamentary probing has revealed that money is being paid out in bushels. Six farmers in England and one in Scotland are being paid more than £70,000 a year each to leave their land alone. A further 70 receive annual payments of more than £30,000. To those who have land, it shall be given. But why should any business be paid to leave its least productive land idle. And why can it use the money to invest in the rest of its plant, when the aim of the policy is to lower production?

The right way to reform the CAP is to lower prices to market clearing levels; provide time-limited income compensation to farmers; and pay farmers to look after the land. To the extent that the latter means more production, as it will, internationally agreed limits will be needed. Current proposals for CAP reform represent real progress in some areas, above all on prices. But they must go further if they are to be accepted abroad and avoid being a laughing stock at home.

When Sir Robert Scholey retires this summer as British Steel's chairman, Scotland is unlikely to be his first choice for a holiday.

Over the past two years, Sir Robert has been vilified by Scottish industrialists, trade unions and community leaders for presiding over British Steel's strategic withdrawal from steel making in Scotland. The retreat turned into a rout yesterday when the company announced it would close the last two blast furnaces at its complex at Ravenscraig in Scotland by September this year.

Two factors lie behind the Ravenscraig closure. The first is British Steel's attempt to overcome the historic fragmentation of the UK steel industry which has left it with smaller and less economic plants than its best European competitors.

This fragmentation has left Ravenscraig particularly vulnerable to the second factor: a savage decline in the steel market in the last two years which has forced the privatised British Steel into a desperate fight to maintain its financial performance.

For many Scots, Ravenscraig is a symbol of the nation's industrial strength. For British Steel, the plant is a symbol of the political and managerial obstacles which have hampered the modernisation of the industry throughout the post-war period.

Critics of the closure argue that it spells the end of hopes of an independent Scottish manufacturing industry. British Steel is hoping it marks the end of an era in which commercial decisions have been undermined by political expediency.

It was 1959 when Harold Macmillan, then Conservative prime minister, forced the then private-sector steel industry to establish two hot strip rolling mills instead of the one that was required: one in Ravenscraig, near Glasgow, and the other in Llanwern in south Wales. The plan was that the plant would provide the hub of an area with steel tube and plate plants supplying factories for ships, buses, cars and other products.

Ravenscraig drained the finances of Colville, its private owner, so much that it helped to push the industry towards nationalisation in 1967. Yet political pressure meant that British Steel had to stand by its Scottish plant.

Doubts about the future of the Scottish industry had long been raised but became insistent with the privatisation of British Steel in 1988; the bell really tolled from May 1990 when the company announced plans to close the last hot strip mill with the loss of 770 jobs. Then, in November that year, it announced the closure of its Clydesdale tube works with 1,200 job losses. The future of the other big Scottish plant, the Dalmell plate mill, has been in question since last July when the company said it planned to

It is a cruel political irony that the privatised British Steel, one of the proudest creations of the Conservative government, should have delivered what could be the coup de grace to Tory election hopes in Scotland.

As it prepared to shut the remains of its Ravenscraig complex two years ahead of schedule, Mr Lang, the Scottish secretary, was left with a difficult task. All he could do yesterday was to promise more funds and an enterprise zone for the regeneration of Lanarkshire, and ask, almost certainly in vain, that British Steel explain to the Scottish public the full commercial reasoning behind its decision.

For the past four years ministers could at least parade the commitment which the Conservatives extracted from British Steel chairman Sir Robert Scholey in 1987 that steel-making at Ravenscraig would continue to 1994, subject to market conditions.

Now Sir Robert has rubbished every aside that slender piece of the government's protection from the wrath of Scottish voters.

Many Scots will see the shutdown as the inevitable result of Tory economic policies which, in their eyes, have undermined Scottish manufacturing. More broadly, it will reinforce their conviction that the government does not care about Scotland.

This perception has grown over the past 10 years. But Ravenscraig owes its survival through the 1980s to the Tories. In the early part of the decade, Mr George Younger, the then Scottish secretary, insisted that the state-owned British Steel did not close it. The plant always posed a dilemma for the party, however: it was not on a coastal site for easy transport and most of its main Scottish steel users, such as car makers,

In closing Ravenscraig, British Steel hopes to rid itself once and for all of political interference, writes Charles Leadbeater

Passing of an industrial symbol



invest in a new mill at Lakenby on Teesside, north eastern England.

Bereft of a strip mill to roll and finish the steel, Ravenscraig's three blast furnaces were increasingly forced to produce crude slabs for British Steel plants in south Wales and for sale on the open market. The first blast furnace closed last year with the loss of 1,200 jobs. The final two will close no later than September with the loss of a further 1,250 jobs.

The immediate reason for the

Ravenscraig closure is a price war in a stagnating European steel market.

UK steel production, which fell by 8 per cent last year to 15.5m tonnes, is forecast to drop to 15m tonnes this year, according to MIBEX, the Sheffield-based steel consultants.

The steep fall in steel prices has been even more troubling. Last month hot dip galvanised steel was selling for £250 a tonne, 32.5 per cent down from its 1989 peak, while hot rolled coil could be bought for £170 a tonne,

a cut of about 25 per cent.

With steel demand falling as a result of slower economic growth in Germany, France and Italy, British Steel will gain no relief from the fierce competition which drove its UK market share down from 64 per cent in 1990 to a low of 55 per cent last year.

The deterioration of the steel market has taken a heavy toll on a company which in the late 1980s was held up as a symbol for the resurgence of

Tory prospects in tatters

James Buxton says Scotland will show its wrath at the polls

of Scottish voters.

Many Scots will see the shutdown as the inevitable result of Tory economic policies which, in their eyes, have undermined Scottish manufacturing. More broadly, it will reinforce their conviction that the government does not care about Scotland.

This perception has grown over the past 10 years. But Ravenscraig owes its survival through the 1980s to the Tories. In the early part of the decade, Mr George Younger, the then Scottish secretary, insisted that the state-owned British Steel did not close it. The plant always posed a dilemma for the party, however: it was not on a coastal site for easy transport and most of its main Scottish steel users, such as car makers,

had disappeared. Its supporters refused to recognise these inescapable facts.

Labour politicians, trade unionists and the Scottish media invested the plant with a symbolism it never merited, often based on muddled and romantic thinking of the kind expressed in 1990 by the Scottish rock singer Pat Kane, who said: "If Scotland wants to have a 21st century manufacturing future it needs to have a Ravenscraig. It is regarded as a link to our manufacturing past."

That link was shattered in May 1990 when Sir Robert declared that Ravenscraig's hot strip mill was to close. The Conservatives at last began trying to convince the Scots that they should look to an economic

future beyond steel-making. Consultants who were asked to examine the options for steel-making in Scotland, stated bleakly that there were virtually none.

In the past year Scottish politicians have at last been able to discuss the future of Lanarkshire after steel without automatically being accused of defeatism. The mood among steel workers and local people in Motherwell yesterday was one of dignified resignation, unlike the anger of May 1990.

For Mr Lang that is about the only favourable thing to emerge. The boost to the Tories' standing in the Scottish opinion polls which followed the departure of Mrs Margaret Thatcher in November 1990 has

British industry. Its pre-tax profits for the six months to last September were 78 per cent to just £12m. Mr Ewan Fraser, a steel analyst at stockbroker James Capel, forecasts it will make a loss of £50m-£100m for the year, including the exceptional costs of £20m for shutting Ravenscraig.

The closure is central to British Steel's hopes of stemming the haemorrhage. It should cut the company's costs by at least £100m a year.

In the long run it is unlikely this is the end of British Steel's attempt to reshape itself. It wants to concentrate production at two sites - its Llanwern-Port Talbot complex in south Wales, and Teesside - to gain the economies of scale it needs to match its largest continental competitors, Usinor Sidor in France and Thyssen in Germany.

There will be further job cuts - 5,000 went in the six months to September, leaving 47,000 - and tight control of investment. The company disclosed yesterday that it has postponed a planned £100m investment to install a second continuous caster at Llanwern.

The Ravenscraig closure marks two other, potentially more significant developments that are reshaping the British steel industry. The first is a shift from a national focus to a European one. Ravenscraig was built as part of a national industrial strategy to stimulate Scottish manufacturing. It is being closed because it cannot survive in an increasingly competitive European market.

When the strip mill closed, only 4 per cent of Ravenscraig's steel went into the Scottish economy. A small plant with capacity of only 2m tonnes, it is 500 miles away from the main continental markets. In contrast, 50 per cent of customers of Thyssen, the highly German producer, are within 100km of its main plant near Duisburg which has a capacity of 30m tonnes a year.

The real weakness of the British steel industry is the weakness of its customer base, British manufacturing industry. The solution can only be further internationalisation of its markets.

The second long-term shift in the industry lies in the balance of power between the public and the private sector. Ravenscraig is being closed because British Steel is now a private-sector company able to take its own commercial decisions. But the pressures it is under come in part from public-sector steel companies elsewhere in the European Community - some of which, in France, Italy and Belgium for example, are cushioned from falling prices by indirect government subsidies.

Ravenscraig has always epitomised the troubles of the British steel industry; its demise is a symbol for the troubles besetting the industry all over Europe.

almost completely evaporated and the party is now back at about 20 per cent.

The disastrous performance of the party in the Kilmarnock and Decide by-election in the autumn, where a Tory majority of 5,000 was turned into a Liberal Democrat one of about 5,000, was a reminder that the party is identified as the English party, imposing unpopular measures such as the poll tax that only a minority of Scots voted for. Since then, the party has been on the ropes.

Opinion polls suggest that the Tories could lose five of the nine Scottish seats (out of a total of 72) which they still hold. Mr Lang could lose his seat in Galloway.

By his timing Sir Robert has ensured that it is the Tories who will take almost all the blame for Ravenscraig. An incoming Labour government would find little left to save, a point that may have occurred to him. Since it was the Conservatives under Prime Minister Harold Macmillan who created Ravenscraig, that may be poetic justice.

Eight days a week

One of the troubles with a small place like Wales is the shortage of politically-correct movers and shakers. When the rulers in London want to fill a slot with a Welsh figure, the same old names pop up.

Take the case of Gwyn Jones, a 43-year-old entrepreneur who sold his software company in 1987. One of former Welsh Secretary Peter Walker's blue-eyed boys, Jones was made part-time chairman of the Welsh Development Agency in 1988 and after his recent reappointment his WDA workload was increased to four days a week.

However, he has now added the Welsh BBC governorship to his portfolio, which carries with it the chairmanship of the Broadcasting Council for Wales and membership of the Welsh Channel 4 network. Add all the tasks together and even Jones the computer is not capable of working eight days a week.

Jones is now going to shed some of his international workload at the WDA in order to take on his new responsibilities at the Beeb. Even so his appointment does nothing to reduce the concern within the principality at the concentration of top jobs in such a small number of hands.

Come the election it could all be different. Different faces that is...

Shrinking fortune

Are you keeping your shrink informed? Joan Wall, wife of Sandy, Primrose, Corp chairman, was unbending herself to one particularly attentive psychiatrist back in 1985 when the unthinkable happened. The shrink actually took notice of what she was saying.

Her husband, the former number two at American Express, had confided his ambitions to become top dog at BankAmerica, and she was

throwing a wobbly about the ensuing disruption to their personal lives if he met with movers and shakers. When the patient's deep concern for his patient's well-being did not apparently prevent him from stepping smartly out to purchase BankAmerica stock - on which he is accused of raking in a tidy £27,475 in commission - the shrink was forced to take a more active role.

This week the said shrink, narrowly escaping prison for his insider dealing, has been sentenced to five years' probation and 600 hours of community service annually; he has also been ordered to pay £257,000. Observer wonders what this will do to his billing rate.

White knight

Blind persons everywhere should be in mourning today, following the news of the death of Jean Delage in Rabat, Morocco, at the age of 93. The French author and journalist made a white cane the internationally recognised symbol of blindness.

He established the "Commissaires Blancs" association for the blind in France after World War One, using the blind stick as a mark of recognition. Delage began as a cabaret singer in Paris, writing several plays which were successfully staged in Paris and Brussels. He then went on to journalism and wrote two books about Russian exiles in Paris.

Spelling mistake

It's not the best advert for Made in Britain. Yesterday's Walworth Road hand-out launching the Labour party's economic strategy for the 1990s included around a dozen spelling and other grammatical mistakes in the course of a two-page press release. Of course, it may be all the fault

OBSERVER



of the 13 years of Tory neglect of Britain's education system. Even so a modest investment in a computer spell-check system would not go amiss, especially when the statement is issued on behalf of the shadow chancellor.

Battle stations

With three months to go before the tenth anniversary of the Falklands War, Britain's Channel Four has fired the opening shot in what looks like being a fierce ratings battle. The subject - the most comprehensive account of Britain's conflict with Argentina. Be warned, there could be casualties.

Channel Four, whose four-part documentary starts next Monday, has former Sea Lord Admiral Sir Henry Leach accusing former defence minister Sir John Knott of "making a howling cock-up" of defence policy in the run-up to the war. In order to spike the opposition's guns it has taken the precaution of getting agreement from a host of retired admirals, generals, and senior diplomats, including former

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ECONOMIC VIEWPOINT

Better Frankfurt than Liverpool

By Samuel Brittan

Let us suppose that the US and the states of the US had their own currencies, which they had linked together in an exchange rate regime, and that eventually they had to go back to a single dollar. Let us go back one step and assume that there was not yet a Federal Reserve Board, but a series of regional Fed's which had to follow New York. There would then surely be many wretched complaints that other states were being forced to accept excessively high interest rates based on the needs of New York.

Yet in practice Florida, California, Wyoming and the rest might benefit more from a zone of currency stability than from the ability to have their own nominal interest rates. And if New York had a good sound money record, other states could improve their own anti-inflationary credentials by using it as an anchor.

This comparison has been provoked by the renewed campaign to cut Britain free from the strings of the ERM. (The biggest non-supporter of the new year is the report that Mrs Thatcher has been expressing similar views. It would be astonishing if she had not been.) Let us suppose that a mere realignment — that is,

The irresponsible demands of the German unions are pricing European workers out of jobs

A devaluation within the ERM would give the UK freedom to slash interest rates. Rates would still have to stay competitive with other European countries, plus an additional devaluation risk premium.

Mr Nicholas Ridley believes that the ERM has "overkilled" UK inflation, which is now "too low or even negative". I only wish this were true. He is right to say that the retail price index is misleading, but that is because it now understates inflation, the underlying rate of which is 5% to 6 per cent.

A plausible case can be made that both core and headline inflation will be down to 3 per cent or less by the end of this year. But we are not there yet. It would take only a few signs that the UK was once again devaluation-happy to reignite inflationary psychology.

What is disconcerting about the alarmist talk is the implication that there is nothing that business and workers can do to help themselves, such as to stop pricing themselves out of work. In a previous article I mentioned the Ford pay settle-

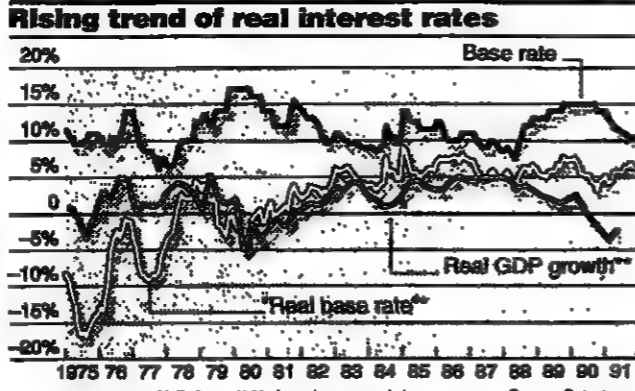
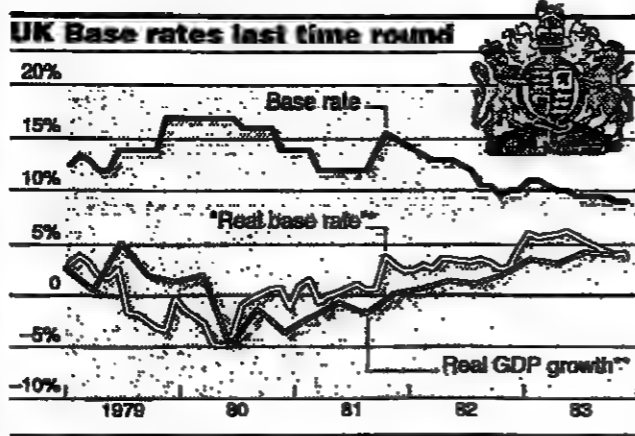
ment at a rate well above inflation and in defiance of the glut of workers seeking for jobs. So long as this "going rate" mentality is prevalent, unemployment will be high whether the UK is on a fixed or floating exchange rate, inside or outside the ERM, and irrespective of which party is in power.

Now for another example. I have a friend who has behaved like a textbook employer, reducing pay in his factory by 10 per cent before contemplating a strike time or redundancy. But his cost-cutting efforts have been undermined by a ground landlord who demands hefty increases under a five-year rent revision clause, on the assumption that high inflation is here to stay. My friend has been advised to tell the landlord to jump into a lake.

These incidents are part of the human friction involved in the transition from a fixed price (or cost-plus economy) to a flexible price one. The transition would be stopped in its tracks if the government bailed out recession — too late in any case to do itself any electoral good. Incidentally, it does not take much imagination to see how John Smith would have the government for breakfast if it embarked on any form of devaluation.

One way in which self-correcting economic forces can work in a large economic area is for the recessionary region to lower its costs and prices relative to the anchor state. If a monetary policy, decided in New York in my hypothetical case and Frankfurt in the actual one, were to depress output in the outlying states, the latter could improve their competitive position by improving their competitiveness and increasing market share.

But would all these efforts be offset by the inability of the outlying states to reduce interest rates — which would actually rise in real terms if inflation rates fell? History suggests that they need not be. In the early stages of UK recovery from the 1981 recession (and when Sir Alan Walters was advising Mr



Thatcher at No 10), base rates had to be jerked sharply upwards in reaction to monetary tightening in the US; and they did not return to their starting point until July 1982. Moreover, because of dropping inflation, real UK interest rates rose even more sharply, and increased further in 1983-84.

Yet these developments did not prevent a recovery in British output starting in the middle of 1981 and gathering force in 1982-83. High real interest rates are compatible with economic recovery, even though they are hardly welcome; and the period of negative real interest rates in the mid-1970s was a gloomy one for growth. If the calls to slash interest rates, irrespective of the exchange rate consequences, were coming from unrecon-

structed Keynesians, I could understand. What is difficult to take is when they come from economists such as the "Liverpool Sir", headed by Prof Patrick Minford, many of whom claim in their academic capacity that the main influence of monetary policy is over inflation and any effects on output and jobs are transitory. Indeed Minford himself is known for his belief in both "rational expectations" and "new classical" doctrines.

What these doctrines were supposed to mean, unless I totally misunderstood them, was that output and employment could only be influenced by surprise changes in macroeconomic policy, and that the real economy would soon adjust to any stable monetary policy regime, once that was

With 'going rate' pay settlements, unemployment will be high, whatever the monetary regime

out of jobs. The Bundesbank is only helping to make it crystal clear to all the political leaders of the EC. So whether the German unions like it or not, they clearly don't, they will be under immense outside pressure to settle for wage increases near the 5 per cent level they currently say is unacceptable. And employers seem ready for strikes...

"We think it highly likely the unions will lose out, and thus there may be room for the Bundesbank to take the first cautious step towards easing surprisingly early in the second quarter... and German short rates may move rather more than the markets expect by year-end — probably to somewhere near 5 per cent."

I am sure that CSFB is right about the causality and hope that it is about the outcome. There is in any case no way that British policy can escape the impact of events on the Continent. The ERM supplies a coherent framework and a device for ensuring that we obtain some counter-inflationary benefits from it.

LOMBARD

Little room for City excuses over Maxwell

By Robert Peston

The collapse of the late Mr Robert Maxwell's empire will ultimately be more damaging to the City of London than any other scandal of modern times.

The damage should not be measured just in terms of losses suffered by his creditors, although these are likely to be enormous — about £1.5bn for the bank lenders alone.

Banks which lent him the money were foolhardy. Merchant banks which advised him — and gave him public support — were negligent, on the most generous interpretation of their behaviour. Yet again the accounting profession has failed to protect the interests of independent shareholders in a public company.

The UK regulatory system has shown itself wide open to abuse. Indeed, the scandal may be as bad for the City's international standing as last year's House of Lords decision to invalidate banks' swap transactions with local authorities.

The question they ask is genuine. How could an individual, Mr Maxwell, have been allowed such power over two substantial public companies that he was able to plunder more than £1bn from the accounts of the public companies and their pension funds?

In the case of the largest public company, Maxwell Communication Corporation, his power was unlimited. Price Waterhouse, the accountancy firm acting as MCC's administrator under UK insolvency laws, has discovered that the board of MCC had delegated all its authority to Mr Maxwell, who could do what he liked to the company and its assets without deferring to anyone.

As for the pension funds, Mr Maxwell took full advantage of legal niceties and his powers were almost as great. Perhaps the banks were foolish not to have inquired more

deeply into these arrangements before lending him money. But MCC's non-executive directors and the independent trustees of the pension funds were worse than foolish. They were unable to fulfil their proper functions of representing the respective interests of independent shareholders and pensioners. In those circumstances, they should not have taken the Maxwell shilling.

Most damaging to the reputation of anyone who worked for Mr Maxwell, or lent him money, is the fact that they had been warned of the risks. Price Waterhouse, which has had its reputation blotted by its role as auditor to the failed Bank of Credit and Commerce International, should gain some credit for this.

In 1970, the accountants produced a report on Mr Maxwell's gross overstatement of the profits and assets of a pub-

Anyone who worked for Mr Maxwell, or lent him money, had been warned of the risks

lic company, Pergamon Press. PW's analysis was the backbone of an inquiry by the then Board of Trade.

Bankers have been saying recently that too much has been made of Mr Maxwell's misdemeanours in the late 1980s and the subsequent statement by the Board of Trade that he was unfit to be the director of a public company. Their only possible excuse for this is that they have never examined publicly available records. Copies of PW's report are available from the accountants' offices, but PW says no one had asked for one in 15 years until the Financial Times did this week.

The most startling aspect of the PW report is that it could almost describe Mr Maxwell's plundering of his public companies in recent months. Maxwell family companies carried out vast numbers of secret transactions with Pergamon. Then, as more recently, Mr

Maxwell was adept at hiding the beneficiaries and controllers of these companies.

The deals were dubious, to put it mildly. Pergamon sold stock and assets to the private companies at inflated prices, in an attempt to boost profits. But payment was not always made immediately by Pergamon. In addition, contracts would sometimes be drawn up for Pergamon to re-acquire the stock or assets, protecting the private companies from loss and creating future liabilities for Pergamon.

PW identified that £1.7m — £1m at today's prices — was owed to Pergamon by six of Mr Maxwell's private companies. It feared that most of this would not be recoverable. Pergamon was forced to write off most of this sum, just as MCC is expected to write off hundreds of millions in cash and assets transferred to Maxwell private interests.

In other words, there was plenty of evidence that Mr Maxwell was not to be trusted with other people's money, and should not have been given unfettered control over public companies' assets worth hundreds of millions of pounds.

However, the failure of most City firms to remember the Pergamon episode is not surprising. It is perhaps another version of short-termism — their obsession with making near-term returns on their investment and their inability to take a long-term view of the conduct of their clients.

But the behaviour of three companies is bizarre. National Westminster Bank, the biggest lender to the Maxwell private companies today, was Pergamon's clearing bank. NM Rothschild, the merchant bank whose subsidiaries and affiliates provided vital support to Mr Maxwell in the 1980s, led the campaign against him in 1989 on behalf of Leasco, the potential buyer of Pergamon.

Finally, Coopers & Lybrand Deloitte was appointed by Pergamon as its auditor after Mr Maxwell was ousted from the company — and went on to be employed by Mr Maxwell as his auditor at MCC.

These three have no excuses.

LETTERS

Industrial improvement is a matter for industry, not policy makers, argue NEDC chairmen

From Mr Bill Jordan and Mr Ian Gibson

Sir, Your leading article "Engineering a solution" (January 6), illustrates vividly the dangers of superficiality in considering what must be done to regenerate British industry.

You say that the recommendations contained in our joint paper, "Engineering at the Crossroads", presented to the NEDC yesterday are "a sensible statement of conventional wisdom". They are not only "uncontroversial", but also, horror of horrors, "sensible". You suggest that we should, by contrast, be pointing out where current policy debates are too

short-sighted or closed; auditing policy (presumably you mean government policy); and provoking the imagination of policy makers (presumably, again, within government).

While government has an important role in providing the right macroeconomic environment and infrastructure, industrial improvement is not ultimately a matter for policy makers, no matter how imaginative or stimulated. It is an unglamorous, undramatic business of day-to-day improvement within firms which must compete to survive. It needs long-term continuity of purpose, never-ceasing obsession

with quality, continuous improvement, good management, workers with appropriate skills for today and the future, co-operation and teamwork. That is why the NEDC engineering industry sector group and engineering skills working party are defining the successful new manufacturing techniques in engineering and will market them vigorously; will identify product and technology gaps threatening the engineering supply chain; and will define world class engineering skills and what the UK must do to acquire them.

This will improve Britain's long-term industrial perfor-

mance. They may even help to make us as uncontroversial, sensible and successful as the Germans and the Japanese. Bill Jordan, chairman, NEDC engineering industry sector group, Ian Gibson, chairman, NEDC engineering skills working party, National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX.

Fax service
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Fisons states its position on small and large commercial issues

From Mr D R Peters

Sir, I was surprised to read Mr R G Johnston's letter (January 6). Considerable time has been spent by senior members of this company with him and the board of the South Yorkshire Fund on the subject of the extraction of peat. His letter sought to criticise our investor relations by confusing an environmental issue of its private and institutional shareholders on this operational issue.

The extraction of peat represents only a very small part of Fisons' business and, while it is a high-profile public subject,

it is not one which is of sufficient financial impact to be a matter for extended investor relations activity. We are seeking a solution which will be acceptable to all responsible parties and, despite vociferous opposition to peat extraction by a small minority of shareholders, Fisons' management continues to enjoy the overwhelming support of its private and institutional shareholders on this operational issue.

By contrast, the withdrawal from sale in the US of our products Opticrom and Imferon is a matter which is of

real interest and concern to all our shareholders, and so we made a statement to the Stock Exchange on the implications for the company's profitability of the problems associated with the US regulatory authority's approval for these two products. We have expended a considerable amount of time in keeping our shareholders fully informed of developments on these important issues and, within the rules laid down by the Stock Exchange, will continue to do so.

I trust your readers, who include a great many of our shareholders, will not fall into

the trap laid by Mr Johnston and will understand the very different nature of these two issues, and the ways in which we have sought to deal with them. Fisons recognises its responsibilities to all shareholders to maintain an open dialogue on matters of commercial management and business practice, and will continue to act in a responsible manner in the best interests of all our shareholders.

D R Peters, director, Fisons, Fison House, Princes Street, Ipswich, Suffolk.

A drastic, but workable way to create a market system in Russia

From Mr Brinsley Best

Sir, John Lloyd's article (December 31) on the freeing of prices in Russia calls the measure "a cruel necessity". He also states that prices are "certain to rise by threefold or more" as a result.

Even so, Yelstin's price liberalisation need not fail. At the start of "perestroika" the black market was not all that significant. By 1988, it was estimated to be about 100bn roubles out of total household disposable income of about 500bn roubles. This would be about 20 per cent of the value of sales and less than 10 per cent of the volume of then prevailing price differentials.

In 1991, the value of black market sales would be about 25 per cent of total consumer expenditure, and perhaps a lit-

tle over 10 per cent of volume, the total of which may have declined through shortages.

Rampant inflation is not inevitable. If the two-tier market is abolished then the average price for the two markets should prevail. After some adjustments, perhaps to soften the blow for the "media", ordinary prices might rise by about 20 per cent, while falls of between 40 and 60 per cent should be seen in prices charged on the black market.

This all assumes the renewed assertion of control over the printing of roubles. This done — and automatic inflation adjustment of certain wages stopped — the rouble could quickly rise on the free market, thus reducing the utility of the massive amount of hard currency already in circula-

tion, estimated at US\$20bn, or about 2,000bn roubles at the free market exchange rate, compared with the official figure of annual disposable income in 1989 of 652bn roubles.

Ukraine's and other republics' objections to all this are quite understandable. At end-September 1991, the price of beef and eggs and many other foodstuffs on the free market in Moscow was two to three times higher than in Kiev or Voronezh. Tomatoes and certain fruits cost about four times more in Moscow than in the Caucasian republics.

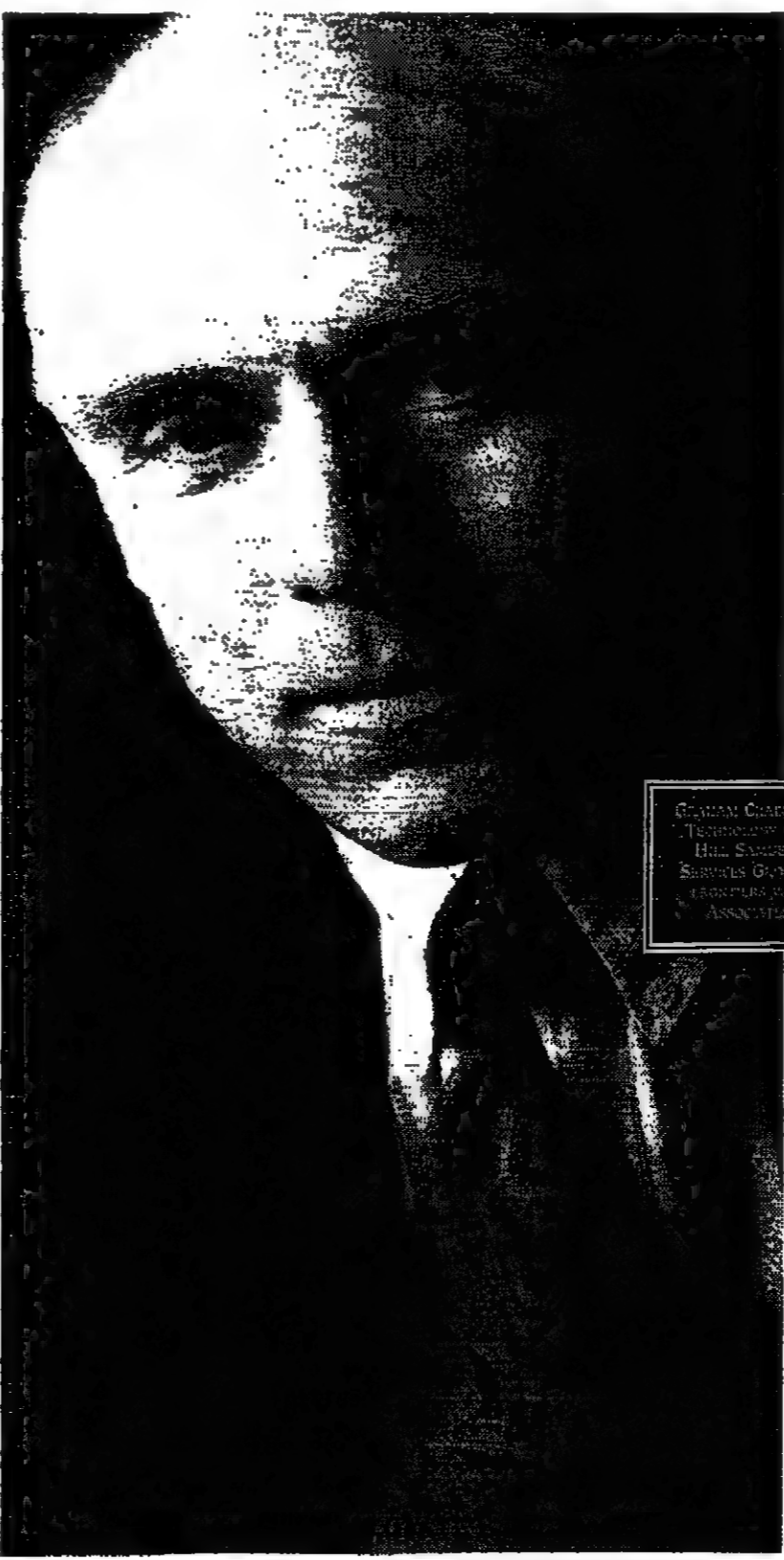
Price liberalisation in Russia will automatically attract more produce to Moscow and St Petersburg, even through the "official" channels, to the extent that transport permits.

In addition, if Russia controls the printing presses, it can deny roubles to other republics, thus making it difficult for them to buy their own produce. Hence, the urgency which the Ukraine attaches to introducing its own coupons and, eventually, currency.

Yes, the measures may seem cruel, but they are a long way from the forced confiscation of food from the countryside under "war communism", and from collectivisation. Though drastic, they may prove to be the only workable and humane solution to avoid social unrest and to build a genuine market system in the shortest time, provided those on the lowest incomes are assured supplies.

Brinsley Best, 9 Rue Serpère, 75009 Paris, France

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INSIDE

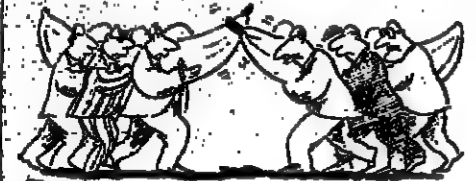
Oil prices fall on fears of Iraqi return

Oil prices fell yesterday to the lowest levels since the end of the Gulf war last February as traders reacted to fears of the return of Iraqi oil to the market. The price of North Sea Brent crude for February delivery lost almost a dollar at \$17.05 a barrel. An Iraqi delegation met United Nations officials yesterday in Vienna for the first of two days of talks — described as "constructive" — on a resumption of Iraqi exports which, until now, have been blocked by a UN embargo. Page 20

Thyssen subsidiaries may merge

Thyssen, Germany's biggest steelmaker, is examining urgent economy measures which could lead to the merger of its two main steel subsidiaries, Thyssen Stahl and the loss-making special steels company, Thyssen Edelstahl. Group profits fell 25 per cent in 1991, the third consecutive decline, mainly because of difficulties in international steel markets. Page 14

Going bananas over trade



There is less than a year to go before the European banana market is deregulated, and Caribbean producers meet Latin American exporters tomorrow to discuss a common approach. The Caribbean producers, who have smaller plots and higher wage bills, are trying to prevent an unequal contest with cheaper Latin American fruit. Page 20

Burda forecasts record profits

The Burda publishing group of Germany yesterday forecast record profits and an 8 per cent increase in sales in 1991. The group also predicted that turnover, which has more than doubled in the past five years, would reach DM1.56bn (\$893.7m). Page 14

The European back in business

The Barclay brothers, new owners of The European newspaper, were absent from yesterday's press conference announcing formally that the newspaper was back in business. But the new managing director, Mr Alan Chamberlain, promised that the pan-European title would be highly successful. Page 18

Toronto urges electronic trading



The Toronto Stock Exchange (above) has recommended that all equity trading on North America's busiest bourse after New York be automated within the next 12 months. The board of governors' recommendation is likely to be approved at a meeting of members on February 13. Page 18

Airline shares take off

This week's announcement of rising traffic volume and capacity for December by KLM, the Dutch airline quoted on the Amsterdam stock exchange, rounds off a year of improving prospects for many European air carriers. This has been reflected in the share price performance of some of the biggest carriers. Page 32

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Chief price changes yesterday

FRANKFURT (DEM)	PARIS (FFr)				
Alcoa	770	-105	Alcoa	1875	+51
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47
Alcoa Ind	375	-14	Alcoa Ind	1250	+47

New York prices at 12:30

Ray Aircrafts	311	+ 11	Northgate Inds	74	- 5
Oscar	225	+ 13	Harmoncor A	454	- 19
Micellan-Gun	220	+ 9	Kanef Systems	225	- 93
Refinert	232	+ 2	Owens Abroad	98	- 5
Telex TV	196	+ 7	PowerGen	145	- 5
Pacific			Probit	180	- 8
AUT	245	- 15	Seneca	130	- 6
ASDA	21 1/2	1 1/2	Sun Alliance	265	- 10
Abeynort	55	- 5	T&H	113	- 4
Alphabest Ltd	58	- 5	Tarmac	113	- 4
Global Circle	78	- 12			
Eno Honey	1450	48			

Nestlé, BSN plan joint Czech bid

By Ariane Genillard in Prague and Ian Rodger in Zurich

NESTLÉ, the Swiss-based foodmaker, and BSN, the French biscuit manufacturer, are to forge a joint venture to gain control of Cokoladovny, Czechoslovakia's largest food producer. The two food companies, fierce rivals in the European food business, will pay Kcs2.6bn (\$85.5m) to acquire 48 per cent of Cokoladovny. The European Bank for Reconstruction and Development (EBRD), making its largest investment in Czechoslovakia so far, will acquire a further 15 per cent of Cokoladovny for Kcs900m. The deal values the Czech company at an estimated \$223.2m.

Nestlé and BSN agreed to form a partnership after the Czech company said it needed both chocolate and biscuit manufacturing expertise to upgrade and expand production. Other food manufacturers, such as Philip Morris and Jacobs Suchard, did not alone fill these requirements, Czech government officials said. The two food companies will invest a further \$114.5m in the

Czech company over the next four years. Of this, \$81.4m will go toward increasing Nestlé and BSN's equity participation, which should reach 83 per cent in 1993 and 97 per cent in 1996. The venture is conditional on a favourable ruling by the European Commission to ensure that the monopolistic impact of the joint venture re-exporting its products to EC member countries is negligible. Mr Alex Tyrteos, a senior banker at EBRD, said Nestlé and BSN would produce few of their

brand products in Czechoslovakia. "The incremental impact of products coming back into the EC will only reach 2 to 3 per cent of these items' total production in western Europe," he said. Instead, Nestlé and BSN will focus on upgrading existing local chocolate and biscuit products to maintain the domestic market share which is threatened by imports because of lower tariffs. Exports to central European countries are planned later. Nestlé and BSN will add their names to other western compa-

UK aerospace group is annoyed by its unpopularity, writes Paul Betts BAe struggles to regain credibility

Returning to work after a few days in the Caribbean, Mr Dick Evans, the British Aerospace chief executive, should have been relaxed. Instead, with other senior company executives, he has been exasperated by the reaction of BAe shares to a renewed batch of bearish comments on his company's prospects. "We are on track with the strategy set out in our rights issue document last year," he said. Mr Dudley Eustace, BAe's finance director, added: "Our cash position is satisfactory. Dick and I have held a host of meetings with institutions to explain our position and plans. Nothing has changed during the last few weeks. What more can we do to get the message through?"



BAe's Dudley Eustace

BAe shares dropped sharply last week after Nomura, the Japanese securities house, circulated a private note to clients painting a bleak picture of BAe's prospects. The impact was all the greater because the note reported negative comments about BAe by Sir Peter Levine, the former head of British defence procurement. Worries were increased by doubts about BAe's negotiations over the second phase of the Al Yamamah defence programme in Saudi Arabia worth about £20m (\$31.5m) a year. The City of London had hoped for confirmation of the new contract by the end of December. Although BAe announced other contracts involving corporate jets, all eyes have been fixed on Al Yamamah. "It's understandable. It's such a big event. Selling corporate jets does not make a big difference. But confirmation of the second Al Yamamah contract will remove a lot of doubts," Mr Eustace said, emphasising that there was never a December 31 deadline for the second phase of the deal. The company remains confident of securing the new contract and senior BAe executives are due to resume negotiations in

confidence in the company. Since then, BAe has sought to rebuild investor confidence by putting into place the recovery strategy focusing the company on its core businesses including defence, commercial aircraft, cars, and property and construction. Mr George Simpson, chairman of BAe's Rover car group subsidiary, has been appointed deputy chief executive to reinforce BAe's top management structure. Mr Evans confirmed that a shortlist of candidates to take over from Sir Graham Day, BAe's interim chairman, had been drawn up and a decision would be taken near the company's annual meeting in May. The defence business has also been re-organised into a new company, while commercial aircraft activities are being shaken up by splitting BAe's activities in the European Airbus programme from its other civil aircraft programmes.

However, BAe has found it harder than expected to win back favour in the City of London. The fundamental circumstances facing the company have not changed since last September's management crisis. The recession and government defence cuts have put pressure on all BAe's main businesses. But the company expects eventually to reap benefits from its rationalisation and restructuring. "We are now better positioned when the turnaround comes," Mr Eustace said. Once the car market recovers, BAe expects Rover to swing quickly back into profit. Last year, BAe shocked the City of London by its failure to communicate the extent of the difficulties and cash-flow problems facing the group. It is unlikely to risk springing another bad surprise next month when it announces its preliminary financial results for last



year. These are expected to show a group profit before tax and exceptional items of about £150m as forecast in the rights document. The exceptional items will include a £250m restructuring charge and a further £45m charge to cover Rover's withdrawal from the US as well as a £15m gain from the group's controversial sale of its shareholding in the

Woolworth to shed 10,000 jobs in operations shake-up

By Nikkil Tait in New York

WOOLWORTH, the large US retail group whose interests range from general merchandise stores to specialty chains, yesterday announced a big operational overhaul. This will involve the sale or redeployment of 900 poorly performing stores, closing 10,000 jobs over the next 12 to 18 months, and produce a fourth-quarter after-tax charge of \$500m. Earlier this week, Sears, Roebuck announced plans to cut almost 7,000 jobs through improved customer service facilities. Sears, the East Coast furniture retailer, filed for Chapter 11 bankruptcy protection after Christmas while creditors at Zale are attempting to put the largest US jewellery retailer into bankruptcy. Mr Harold Sells, Woolworth's chairman, claimed the move would "focus resources on [the company's] strongest store formats and locations", and help it meet financial objectives. In the first nine months of 1991, Woolworth saw a 55 per cent drop in net profits to \$5m. Woolworth shares had sales of around \$342m, and an operating loss of \$50m. Total operating profits for all US stores in the period were \$168m.

Woolworth operates about 6,500 stores in the US, of which about 3,500 are specialty stores. It has around 9,300 outlets worldwide. The overhaul affects some 4,700 full-time jobs and 5,300 part-time employees. The group's total US staff comprises 38,000 full-time employees and 32,000 part-timers. The retail group also announced management changes at senior executive level yesterday. During the first nine months of 1991, stores involved in the overhaul had sales of around \$342m, and an operating loss of \$50m. Total operating profits for all US stores in the period were \$168m. Woolworth operates about 6,500 stores in the US, of which about 3,500 are specialty stores. It has around 9,300 outlets worldwide. The overhaul affects some 4,700 full-time jobs and 5,300 part-time employees. The group's total US staff comprises 38,000 full-time employees and 32,000 part-timers. The retail group also announced management changes at senior executive level yesterday.

EBRD sees rise in E European deals

By Richard Waters in London

THE European Bank for Reconstruction and Development yesterday predicted a steady flow of big equity investments in eastern Europe in the coming weeks as it completed its second substantial transaction in Czechoslovakia since the start of the year. The latest investments, in Ceskoslovenske Aerolinie, the state airline, and Cokoladovny, the country's largest food producer, bring to four the equity investments made by the development bank. However, it said previous delays in approving by the Czech authorities had been overcome, and substantial equity investments in the country were likely to be completed at the rate of one or two a month in the first months of this year. The bank said it was reviewing 15 Czech investments in the aerospace,

petrochemicals and pulp and paper industries, among others. Other substantial projects throughout eastern Europe, among 150 under consideration at the bank, were also expected to be completed shortly. Mr Ronald Freeman, vice-chairman of the EBRD in charge of investment banking, said the average size of the 14 investments by the bank was £20m (\$25.8m) but added: "We expect the size to increase." Each of the latest equity transactions has been made in partnership with large western companies — Air France in the case of CSA, and Nestlé, the Swiss-based foodmaker, and BSN, the French biscuit manufacturer, in the case of Cokoladovny. However, Mr Freeman said these did not provide a blueprint for future investments. In both cases, the EBRD expects to lend further money to the companies concerned. "It is quite likely they will want to leverage up," said Mr Freeman. The EBRD looks poised to treat the former republics of the Soviet Union as members, according to a senior official. Mr Sylvia Jay, head of the bank's political unit, said the bank was not dealing with completely new membership in the case of the former Soviet Republics and so the emphasis would be on continuity of membership, Renter reports. "We've had some informal confirmations from individual republics that they wish to continue membership — only Russia has given a formal confirmation," Mr Jay added. The former Soviet Union had a shareholding of 6 per cent in the bank.

French insurer lifts stake in AMB

By William Dawkins in Paris, David Waller in Frankfurt and Richard Lapper in London

ASSURANCES Générales de France (AGF), the powerful French state-owned insurer, yesterday announced it had increased its stake in Ancher and Münchener Beteiligungsgesellschaft (AMB), Germany's second-largest insurer, to just over 25 per cent, further complicating relations between the two. AGF's move, which makes it the biggest shareholder in AMB, is regarded as unfriendly by the German company and could unsettle its efforts to develop an alliance with Fondiaria of Italy, and Royal Insurance of the UK. In response, AMB yesterday bought Fondiaria's 25 per cent stake in Volksfürsorge, the Hamburg-based life and property insurer (in which the two companies had shared a controlling interest), releasing funds which could strengthen ties with the Italian insurer in other areas. Fondiaria intends to use the DM600m (\$379.7m) proceeds from the transaction to help fund a new European joint-venture into which Fondiaria, AMB and Royal aim to pool their European subsidiaries. Discussions on the formation of the joint venture are currently underway. Analysts are speculating, however, that Fondiaria could also use some of the money to increase its own stake in AMB. Fondiaria holds an option on an 18.5 per cent stake in AMB sold by Royal for £250m to Crédit Suisse last year. The French group, which has so far spent FF3.2bn (\$500m) on buying AMB shares, said yesterday it did not plan to increase its stake, but that it would negotiate with the German group's management to get full voting rights for its shares. AGF has 9 per cent of the voting rights and needs to register the rest of its 25 per cent with the AMB board to acquire full voting rights and a board seat. But last year, AMB warned that it was not prepared to register the French holding. Subsequently both Fondiaria and AMB have cold-shouldered AGF — although Royal, which already operates a co-operation agreement with AGF in the US — appears less hostile. Mr Peter Mathiesen, AMB spokesman, said that AGF was merely seeking to "obtain a foothold" in Germany for its own advantage, and the European joint venture would be of mutual benefit to the other three parties. Lex, Page 12

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INTERNATIONAL COMPANIES AND FINANCE

UK group purchases Norwegian life insurer

By Richard Lapper in London

SUN ALLIANCE, the UK's biggest composite insurance company, is strengthening its position in Scandinavia by acquiring Forenede Gruppen, Norway's fourth biggest life insurer through a bid from its Danish subsidiary, Codan.

Codan's offer of Nkr500 per share - valuing Forenede at Nkr514m (\$132m) - has been accepted by the board of Forenede, Sun Alliance said yesterday.

The Codan bid is a third higher than that offered by Gjensidige, a rival Norwegian company. Sun Alliance owns 71.45 per cent of Codan, whose shares are quoted on the Copenhagen stock exchange.

The deal is the most significant recent expansion by Sun Alliance in Europe, whose recent advances have mainly centred on the development of greenfield site life insurance operations in the Dutch and

Italian markets. It reflects its strategy of "seeking to develop in Europe on a highly selective basis," according to Mr Ralph Petty, managing director of the group's overseas operations.

Overall the acquisition is the most significant made by Sun Alliance since its purchase of a 75 per cent stake in Swinton Insurance which was completed last year. Sun Alliance paid just over £100m for the Manchester-based broker in three separate deals.

Forenede has not yet published accounts for 1991 but in 1990 its life assurance premium income of Nkr1.33bn - sold by a network of 500 agents and a number of group schemes - amounted to a market share of about 10 per cent. The company has a larger share of the market for group life and pensions business, and its Forenede's non-life premium income (Nkr758m in 1990) -

generated by personal lines business sold in central Norway - is also attractive.

Sun Alliance's interest in Scandinavian life market was signalled by an unsuccessful bid for the Danish state owned life insurer, Statensstaten for Livsforsikring, which was privatised in 1990 and the group is optimistic about future growth prospects in the Scandinavian savings market, where state pensions schemes have come under increasing strain in recent years.

Sun Alliance said the acquisition had been influenced by Codan's particularly strong financial position - it counted with a solvency margin of between 300 per and 400 per cent at the end of 1990, although the deal could have a marginally adverse impact on the solvency position of the group as a whole by the end of the year.

Olivetti to seek further 2,500 job cuts in Italy

By Haig Simonian in Milan

OLIVETTI, the loss-making Italian computers and office equipment group, yesterday announced it would be seeking a further 2,500 redundancies in its Italian workforce in a further bid to reduce costs.

Olivetti, which reported a L73.7bn (\$61.82m) interim loss last year, has already won agreement for 3,500 lay-offs, shrinking its workforce to around 47,000. Some 3,000 of the redundancies will come through a state-backed early retirement scheme, while the remaining 500 will be offered alternative public sector employment.

Mr Carlo De Benedetti, the group's majority shareholder, who returned to full-time management control last November, has stressed the need for further savings if Olivetti is to survive the current crisis in the world information technology industry.

Mr De Benedetti has not hidden his pessimism about prospects for economic recovery this year and has been harshly critical of Italy's declining industrial competitiveness. Since his return to full-time management, Olivetti has announced the scrapping of its previous organisational structure, in existence for barely three years, in favour of a simpler system which it is claimed could save L400bn a year.

The latest round of redundancies presented at the start of a three-day negotiating session with the unions may also include proposals to transfer further manufacturing abroad. Olivetti currently has production facilities in Singapore and Mexico, apart from its numerous plants in Italy. According to Mr De Benedetti, costs in Singapore are around one-third those at home.

With Italy in an election year, political considerations may have constrained the company's job-cutting targets. But prospects of heavy losses for 1991 - some analysts predict L300bn - have given Mr De Benedetti a strong bargaining counter with both unions and the government, which Olivetti has long been pressing for more orders.

Dixons reports strong Christmas

By John Thornhill in London

MR Stanley Kalms, chairman of Dixons Group, the electrical retailing company, yesterday reported a strong Christmas trading period in the UK with sales increases in their "mid-teens" but said it was too early to tell whether this upturn in consumer spending would be sustained.

"I would like to think, so but I do not think we can actually say so," he said. "There is more consumer confidence out there than you might imagine. Parts of the country are bouncing with enthusiasm, such as Scotland and the north-east (of England)."

However, the upturn in sales fell outside the company's first-half trading period and could not save it from reporting a sharp fall in interim pre-tax profits from £27.3m to £17.5m. A revitalised performance in the UK was more than offset by steepening losses at its US Silo chain and a reduced contribution from property development.

Nevertheless, analysts were cheered by the news of Christmas trading, and Dixons' shares rose 13p to 205p. The analysts suggested that Dixons had been one of the first companies to feel the effects of the downturn in consumer spending in 1991 and might be one of the first to emerge from recession.

Group sales in the 28 weeks to November 9 rose from £812.1m to £869.2m. Earnings per share fell sharply from 3.4p to 1.6p. The interim dividend was held at 1.6p.

The UK contributed £537.5m - a 5 per cent improvement. Profits grew markedly from £11.9m to £20.5m reflecting better stock control and management systems and the growing proportion of sales accounted for by the Currys edge-of-town superstores which have superior cost ratios to the Dixons high street stores.

As in the past two years, the UK profits figure included £5m released from the surplus on its extended warranty fund. A similar sum is expected to be released in the second half but will not be repeated next year. Dixons' Silo business in the

US suffered an escalation of losses in the face of the severe recession growing to £10.3m from £2.8m.

Profits on property development were £3.1m, down from £9.8m and interest receivable also fell from £7.3m to £3.9m.

Dixons announced a management restructuring with Mr John Clare, currently managing director of Dixons Stores Group, becoming group managing director, and the creation of a retail team.

Hosted a rare press conference, Mr Kalms, 60, pre-empted the obvious question by saying: "No, I am not retiring." Rising losses in US, Page 15. Olympian ambition, Back Page. Lex, Page 12.

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Chrysler unveils top-range LH vehicles

By Kevin Done, Motor Industry Correspondent, in Detroit

CHRYSLER, the smallest of the big three US vehicle makers, yesterday unveiled a new generation of large executive saloon cars, the result of a \$1.5bn development programme.

The so-called LH project is one of the most ambitious new product programmes ever undertaken by Chrysler, and marks its first all-new car programme for more than a decade.

The cars, to be launched in the autumn in North America, as the Chrysler Concorde, Dodge Intrepid and Eagle Vision, are aimed at re-establishing Chrysler in the heartland of the US market for mid-size and full-size executive cars, where it has lost considerable market share with its present out-dated products.

The LH cars will play a crucial role in the company's fight for survival as an independent carmaker in the first half of the 1990s, and are the keystone of an ambitious new product offensive unveiled this week.

Chrysler is planning to spend around \$1.6bn from 1991 to 1995 on new product development and the modernisation of its facilities, and is

aiming to replace all of its car range by 1995.

The top-of-the-range LH cars will be vital to the company's attempt to restore its credibility as a carmaker to match its success in the light truck market, where it has established a leading position as a maker of multi-purpose vehicles (minivans such as the Chrysler Voyager) and four-wheel drive vehicles, such as the Jeep Cherokee.

It has lost ground alarmingly in the US car market, however, where it was relegated to fifth place for the first time in 1991 behind both

Honda and Toyota of Japan.

Its share of US new car sales dropped to 8.6 per cent from 9.2 per cent a year ago, while Honda increased its share to 9.8 per cent in 1991 from 9.1 per cent in 1990, and Toyota boosted its share to 9.0 per cent from 8.3 per cent. Chrysler's car sales fell by 18.4 per cent to 702,518.

Production of the LH range is due to begin at Chrysler's Bramalea, Ontario, assembly plant in June, and Mr Robert Lutz, Chrysler president, said the company was eventually aiming at a production of more than 300,000 cars a year.

Thyssen restructuring may bring merger of steel units

By Christopher Parkes in Bonn

THYSSEN, Germany's biggest steel maker, is examining urgent economy measures which could lead to the merger of its two main steel subsidiaries.

Following inconclusive negotiations with Krupp on co-operation in special steel manufacture, which ended last month, the group immediately started "intensive talks on the possibility of internal co-operation", it said yesterday.

Group profits fell 35 per cent in 1991, the third consecutive decline, mainly because of difficulties in international steel markets, which were underlined yesterday by the announcement that British Steel is to close its works in Ravenscroft, Scotland, with the loss of 1,200 jobs.

A report containing "several different concepts" will be presented to the Thyssen supervisory board on January 17, a spokesman said. These include possible collaboration in marketing, manufacture and buying. Talk about merging

Thyssen Stahl and the loss-making special steels company, Thyssen Edelstahl, was "speculation".

Both subsidiaries are due to publish results later this month which will show continuing losses at Thyssen Edelstahl, which lost DM176m (\$111.3m) on sales of DM3.9bn in 1990, and further deterioration at Thyssen Stahl, where profits fell 16 per cent in the same year on turnover of DM10.5bn.

Both have been hit by low world prices and demand, and are now feeling increased pressure from the slowdown in the German economy, which is heavily dependent on the metalworking industries.

Internal restructuring at Thyssen, flagship of the German steel industry, which accounts for 29 per cent of the country's total 40m tonnes annual output, will mark a further important step in the rapid rationalisation of companies and capacity. Four months ago, Krupp

launched its takeover of Hoersch to create a group with around 8m tonnes capacity. Voest Alpine, the Austrian company, said last month it would close its only German special steels works in Düsseldorf by the year-end.

Mannesmann, the smallest of the country's Big Four steel groups, recently announced a joint venture in tube manufacture with Hoersch. Thyssen Stahl, meanwhile, is building a mini steelworks in collaboration with AFV Beltrame in Oberhausen.

The new plant, which marks a switch from traditional, labour-intensive integrated works, will produce 250,000 tonnes a year and employ around 475 workers when it opens early next year.

Although total German steel capacity is not expected to be reduced by the current wave of change, cost pressures are likely to lead to widespread job losses. Thyssen Stahl employs 41,000 and Thyssen Edelstahl 15,000.

Burda forecasts record profits on 8% sales gain

By Christopher Parkes

THE AGGRESSIVE Burda publishing group yesterday forecast record profits and an 8 per cent increase in sales for 1991. Turnover, which has more than doubled in the past five years, would reach DM1.35bn, (\$881m), the company said in an informal review of the last year.

Claiming a 15 per cent share of the newly-opened magazine and newspaper market in east Germany, the company announced a DM500m, five-year investment programme. Half the total will be spent on

expanding its five print works. The owner, Mr Hubert Burda, traditionally ploughs back all profits - expected to be DM75m in 1991 - into new plant and publications.

In the past year, it has embarked easterners with a range of lurid full-colour newspapers and magazines such as Super-Zeitung, which now sells 450,000 a day, matching the east German circulation of the long-established Bild.

Burda opened a new print works in Berlin in a joint venture with News International.

Foreign exchange activity lifts Banca del Gottardo

By Ian Rodger in Zurich

NET PROFIT of Banca del Gottardo, the Lugano-based Swiss bank in which Japan's Sumitomo Bank has a majority stake, rose 9.5 per cent to SF748m (\$33m) in 1991, thanks to strong activity in foreign exchange business, a satisfactory trend in interest margins and exceptional contributions from recent acquisitions.

The directors proposed maintaining the 30 per cent dividend, equal to SF730 per share or participation certificate. Cash-flow was up 34 per cent to SF710m. The bank was thus

able to carry on with its policy of depreciating new investments and covering exposure towards risk countries. Provisions and depreciation allowances were up 60 per cent to SF766m. The bank said that difficulties in the Swiss property market had only a "minor" impact.

Total assets rose 8 per cent to SF7.4bn. Despite a decline in the number of its subsidiaries, the bank estimates that its consolidated net profit will exceed 1990's SF761m.

This announcement appears as a matter of record only.

December 1991

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DIVIDEND NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS FOR COMMON STOCK OF TOSHIBA CORPORATION (FORMERLY TOKYO SHIBAURA ELECTRIC COMPANY) DESIGNATED COUPON NO. 84 (ACTION REQUIRED ON OR PRIOR TO APRIL 30TH, 1992)**

Chemical Bank, as Depository (the "Depository") under the Deposit Agreement dated as of February 18th, 1970 among Tokyo Shibaure Electric Company Limited (the "Company"), the Depository and the holders of European Depository Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE of a dividend of 5 Yen per share of Common Stock.

The Dividend on the shares of Common Stock on record of Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depository and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 126.55079 Yen per United States Dollar.

The Depository has been advised by the Company that Japan is a party to international agreements with Australia, Belgium, Canada, Denmark, France, The Federal Republic of Germany, Malaysia, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organized thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding rate will be paid a dividend on which a 30% tax withholding rate has been applied.

To determine entitlement to the lower tax withholding rate of 15% it is necessary that the shareholder of Coupon No. 84 be accompanied by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depository in London or any Depository's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 84. Such certificates may be forwarded by the Depository to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depository in London or at the office of any Depository's Agent listed below upon surrender of Coupon No. 84.

DEPOSITORY'S AGENTS

NAME	ADDRESS
Chemical Bank	Frankfurt, Germany
The Bank of Tokyo Limited	London, England
The Bank of Tokyo Limited	Paris, France
The Bank of Tokyo Limited	Brussels, Belgium
Pierson, Holding & Pierson	Frankfurt, Germany
Banco Nazionale del Lavoro	Ambsterdam, The Netherlands
Banco Nazionale del Lavoro	Rome, Italy
Kreditbank S.A. Luxembourg	Milan, Italy
	Luxembourg

The following table sets forth the amounts payable upon presentation of Coupon No. 84 from the various denominations of Receipts.

Coupon No. 84 Detached from Receipts in the Denomination of:	Dividend Payable (Less 15% Japanese withholding tax)	Dividend Payable (Less 30% Japanese withholding tax)
1 Depository Share	\$1.65	\$1.65
10 Depository Shares	\$16.49	\$16.52
20 Depository Shares	\$32.99	\$33.05
50 Depository Shares	\$82.47	\$82.63
100 Depository Shares	\$164.94	\$165.24

Payment in United States Dollars in respect of Coupon No. 84 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: January 9, 1992 Chemical Bank, as Depository, 100 Strand, London, WC2R 1EX, England.

*September 30, 1992 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 84 attached.

**Certain holders of Receipts may be entitled upon the fulfillment of certain conditions to reductions in the withholding tax rate applicable to them. The Depository will, if in its discretion it deems burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deems appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company shortly after April 30, 1992 the excess received by the Custodian over 80% of the dividend payable and allocable to unremitted Receipts.

As a result, persons surrendering Coupon No. 84 after such date will be entitled to receive from the Depository or any Depository's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realize such entitlement) to make application to the Company for an additional 5%. Such application may consistently with the foregoing paragraph, be made through the Depository.

CHEMICAL BANK
As Depository

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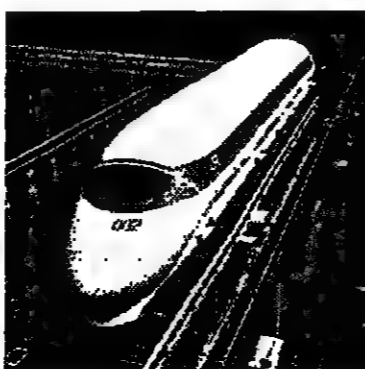


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UK Bond	127.0	127.0	127.0
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Property	127.0	127.0	127.0
Life Insurance	127.0	127.0	127.0
UK Equity	127.0	127.0	127.0
UK Bond	127.0	127.0	127.0
Worldwide	127.0	127.0	127.0
Property	127.0	127.0	127.0

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling slides against D-Mark

Sterling continued to slide against the D-Mark on the foreign exchange market yesterday, falling close to its "floor" within the European exchange rate mechanism.

From a close of DM1.8450 on Tuesday, the UK currency had fallen to DM2.8550 by late morning, dragged down by the weakness of the US currency and just on the limit of its permitted divergence range within the ERM.

From this level sterling proved unable to sustain a rally and remained weak through the afternoon session. This weakness occurred as the US currency was firm or rising, demonstrating that the fortunes of sterling are not tied to the US currency.

Earlier this week, analysts were ascribing sterling's weakness within the ERM to the fall of the dollar, since any decline in the value of the US currency was likely to benefit the D-Mark. However, yesterday's sterling weakness indicated that it can fall while the dollar is gaining against other European currencies.

At 4pm in London, the closing time used by the Bank of England to calculate sterling's position within the ERM, the UK currency stood at DM2.8558, the lowest close price against the D-Mark since sterling joined the system.

E IN NEW YORK

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

STERLING INDEX

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

CURRENCY MOVEMENTS

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

CURRENCY RATES

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

OTHER CURRENCIES

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

MONEY MARKETS

Rates close steady

UK money rates edged higher during the morning session yesterday but fell back in late trading to close little changed from Tuesday's levels.

The Bank of England forecast a liquidity shortage of £10bn early in the day, later revised up to £15bn. In early assistance, the bank purchased £10bn and £4bn at 10% per cent.

Later in the morning session, the bank purchased a further £300m paper as rates moved higher as liquidity was squeezed. Assistance

just over £1bn. This relieved pressure on the overnight rate but the overnight rate had fallen back to 10% - 1% per cent.

The March short sterling futures contract on the London International Financial Futures Exchange closed at 89.38, up from 89.36 on Tuesday.

In Tokyo, the Bank of Japan again squeezed money market rates higher, adding to a ¥500bn liquidity shortage by recalling ¥200bn loans to financial institutions.

Mr Yasushi Mieno, Bank of Japan governor, said that the authorities were trying to ensure "adequate" interest rates and that pressure for lower rates was caused by market speculation.

At one stage overnight call money was quoted well over 6 per cent before falling back to 5 1/2 per cent by the close, from 5 1/2 per cent on Tuesday.

Today a liquidity shortage of around ¥500bn is forecast, suggesting firm rates.

In Frankfurt, money rates edged lower following several days of complete stability. Call money closed at 9.40/50 per cent, from the 9.45/55 per cent level which has prevailed so far this year.

Rates eased even though the Bundesbank withdrew a net DM2.6bn from the market by selling a DM30.6bn repurchase pact to replace the expiring DM33.2bn agreement.

FINANCIAL FUTURES AND OPTIONS

LIVE LONG GILT FUTURES

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

LIVE LONG GILT FUTURES

	Jan 8	Jan 9	Jan 10
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LIVE LONG GILT FUTURES

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LIVE LONG GILT FUTURES

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LIVE LONG GILT FUTURES

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1.00	1.8450	1.8450	1.8450

MONEY MARKET FUNDS

Money Market Trust Funds

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450

Money Market Bank Accounts

	Jan 8	Jan 9	Jan 10
1.00	1.8450	1.8450	1.8450
1.00	1.8450	1.8450	1.8450
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Money Market Bank Accounts

	Jan 8	Jan 9	Jan 10
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Money Market Bank Accounts

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Money Market Bank Accounts

	Jan 8	Jan 9	Jan 10
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Money Market Bank Accounts

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Money Market Bank Accounts

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Money Market Bank Accounts

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Money Market Bank Accounts

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3:00 pm prices January 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield	Div	Price	Change	Stock	Yield
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NASDAQ NATIONAL MARKET

3:00 pm prices January 8

[illegible]

3:00 pm prices January 8

0.80	1.00	1.20	1.40	1.60	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20	3.40	3.60	3.80	4.00	4.20	4.40	4.60	4.80	5.00	5.20	5.40	5.60	5.80	6.00	6.20	6.40	6.60	6.80	7.00	7.20	7.40	7.60	7.80	8.00	8.20	8.40	8.60	8.80	9.00	9.20	9.40	9.60	9.80	10.00	10.20	10.40	10.60	10.80	11.00	11.20	11.40	11.60	11.80	12.00	12.20	12.40	12.60	12.80	13.00	13.20	13.40	13.60	13.80	14.00	14.20	14.40	14.60	14.80	15.00	15.20	15.40	15.60	15.80	16.00	16.20	16.40	16.60	16.80	17.00	17.20	17.40	17.60	17.80	18.00	18.20	18.40	18.60	18.80	19.00	19.20	19.40	19.60	19.80	20.00	20.20	20.40	20.60	20.80	21.00	21.20	21.40	21.60	21.80	22.00	22.20	22.40	22.60	22.80	23.00	23.20	23.40	23.60	23.80	24.00	24.20	24.40	24.60	24.80	25.00	25.20	25.40	25.60	25.80	26.00	26.20	26.40	26.60	26.80	27.00	27.20	27.40	27.60	27.80	28.00	28.20	28.40	28.60	28.80	29.00	29.20	29.40	29.60	29.80	30.00	30.20	30.40	30.60	30.80	31.00	31.20	31.40	31.60	31.80	32.00	32.20	32.40	32.60	32.80	33.00	33.20	33.40	33.60	33.80	34.00	34.20	34.40	34.60	34.80	35.00	35.20	35.40	35.60	35.80	36.00	36.20	36.40	36.60	36.80	37.00	37.20	37.40	37.60	37.80	38.00	38.20	38.40	38.60	38.80	39.00	39.20	39.40	39.60	39.80	40.00	40.20	40.40	40.60	40.80	41.00	41.20	41.40	41.60	41.80	42.00	42.20	42.40	42.60	42.80	43.00	43.20	43.40	43.60	43.80	44.00	44.20	44.40	44.60	44.80	45.00	45.20	45.40	45.60	45.80	46.00	46.20	46.40	46.60	46.80	47.00	47.20	47.40	47.60	47.80	48.00	48.20	48.40	48.60	48.80	49.00	49.20	49.40	49.60	49.80	50.00	50.20	50.40	50.60	50.80	51.00	51.20	51.40	51.60	51.80	52.00	52.20	52.40	52.60	52.80	53.00	53.20	53.40	53.60	53.80	54.00	54.20	54.40	54.60	54.80	55.00	55.20	55.40	55.60	55.80	56.00	56.20	56.40	56.60	56.80	57.00	57.20	57.40	57.60	57.80	58.00	58.20	58.40	58.60	58.80	59.00	59.20	59.40	59.60	59.80	60.00	60.20	60.40	60.60	60.80	61.00	61.20	61.40	61.60	61.80	62.00	62.20	62.40	62.60	62.80	63.00	63.20	63.40	63.60	63.80	64.00	64.20	64.40	64.60	64.80	65.00	65.20	65.40	65.60	65.80	66.00	66.20	66.40	66.60	66.80	67.00	67.20	67.40	67.60	67.80	68.00	68.20	68.40	68.60	68.80	69.00	69.20	69.40	69.60	69.80	70.00	70.20	70.40	70.60	70.80	71.00	71.20	71.40	71.60	71.80	72.00	72.20	72.40	72.60	72.80	73.00	73.20	73.40	73.60	73.80	74.00	74.20	74.40	74.60	74.80	75.00	75.20	75.40	75.60	75.80	76.00	76.20	76.40	76.60	76.80	77.00	77.20	77.40	77.60	77.80	78.00	78.20	78.40	78.60	78.80	79.00	79.20	79.40	79.60	79.80	80.00	80.20	80.40	80.60	80.80	81.00	81.20	81.40	81.60	81.80	82.00	82.20	82.40	82.60	82.80	83.00	83.20
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